Austria Sch22	Indonesia ... Rp3100	Portugal Esc100
Bahrain Din0.650	Israel NS3.50	S.Arabia Rls6.00
Belgium BFr48	Italy L1600	Singapore ...... S$4.10
Canada ...... C$1.00	Japan Y600	Spain Pta125
Cyprus ...... C£0.75	Jordan Fils500	Sri Lanka Rup30
Denmark DKr9.00	Kuwait Fils500	Sweden SKr8.00
Egypt ...... E£2.25	Lebanon ... $L125.00	Switzerland. SFr2.20
Finland Fmk7.00	Luxembourg .. LFr48	Taiwan ...... NT$85
France FFr6.50	Malaysia Rm4.25	Thailand Bht50
Germany DM2.20	Mexico Pes300	Tunisia Din0.800
Greece Dr100	Morocco Dh6.00	Turkey L500
Hong Kong.... HK$12	Netherlands... Fl3.00	UAE Dh6.50
India Rup15	Norway Nkr8.00	USA $1.00

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,373 — Tuesday October 27 1987 — D 8523 A

US:Reaping the grim power harvest, Page 25

World News | Business Summary

US imposes ban on all Iranian imports

President Reagan yesterday announced a ban on all Iranian imports and tighter restrictions on US exports because of Iranian attacks on US interests in the Gulf.

Mr Reagan said the decision was made only after "repeated but unsuccessful attempts to reduce tensions with Iran and in response to the continued and increasingly bellicose behavior of the Iranian government." The ban on imports of Iranian goods would take effect as soon as possible and more controls on US exports would start in a week to ten days.

European defence deal

Foreign and defence ministers of the seven-nation Western European Union ironed out most of their disagreements over a new policy document intended to give Europe a distinctive defence identity. Page 26

Brokerage shootings

An investor distraught over heavy losses in the stock market opened fire in a brokerage office in Miami, killing the manager and wounding a broker before taking his own life, police said.

High-speed rail plan

West European transport ministers gave the political all-clear for a high-speed railway network to link Paris, London, Brussels, Amsterdam and Cologne. Page 26

Peking dissent

About 8,000 young Chinese evaded police road blocks and stormed onto a sacred site of communism in the heart of Peking to celebrate a soccer victory over Japan, in a display of dissent embarrassing for Chinese leaders at a party congress. Page 26

Rights leader shot

Gunmen shot dead the president of El Salvador's non-governmental Human Rights Commission as he dropped off his children at school.

Panama spy claim

Panama's security council met to discuss the future of Vice-President Roderick Esquivel as a newspaper claimed he was spying for the US. Last week the Government closed his offices, sacked his staff and withdrew his bodyguards and car.

Ozone layer pact

Environment ministers from 18 EC and Efta nations agreed at a conference in Noordwijk, the Netherlands, on joint research to reduce damage to the earth's ozone layer and to co-operate more closely on cutting air, soil and water pollution.

Police pay protest

More than 15,000 policemen - nearly half the Dutch police force - marched on Parliament and burned uniform caps in protest against government plans to cut their pay.

Alitalia flights chaos

A 24-hour strike by pilots forced Italian state airline Alitalia to cancel all but one of its national and international flights, bringing chaos to Italy's airports.

Oil workers strike

Workers in Portugal's state oil company, Petrogal, began a two-day strike but stocks at petrol stations were sufficient to meet immediate demand, union and company sources said.

French ports blocked

French fishermen blockaded the ports of Calais and Boulogne, cutting off sea traffic with Britain, in protest against extension of UK territorial waters. Page 4

Kuwaiti defence corps

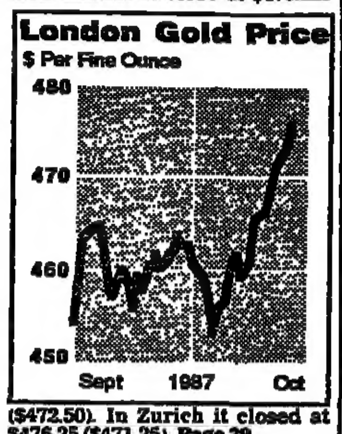
Kuwait announced plans to form a volunteer civil defence corps of Kuwaitis and foreign residents. Air defence request, Page 5

EC calls for halt to wheat subsidy war

EUROPEAN Community has proposed, as part of Gatt reforms for world farm trade, that big wheat and cereal exporters should stop their subsidies war and agree on minimum export prices. Page 26

FORD MOTOR, second largest US motor manufacturer, reported moderately good results, with net income of $703m or $2.76 a share in the third-quarter. Page 27

GOLD rose on the London bullion market to close at $476.125



($472.50). In Zurich it closed at $476.25 ($471.25). Page 39

DOLLAR closed in New York at DM1.7785, FFr5.9500, SFr1.4655 and Y142.35. It fell in London to DM1.7755 (DM1.7865); to FFr5.9475 (FFr5.9750); to SFr1.4625 (SFr1.4775); and to Y142.20 (Y142.65). On Bank of England figures the dollar's exchange rate index fell to 99.6 (100.7). Page 39

STERLING closed in New York at $1.6850. It rose in London to $1.6890 ($1.6889); to DM2.9975 (DM2.9950); to FFr10.0450 (FFr10.02); to Y240.25 (Y239.25); but fell to SFr2.47 (SFr2.4775). The pound's exchange rate index rose 0.6 to 74.1. Page 39

EXXON, biggest US oil company, reported flat earnings in the third-quarter, reflecting continued downward pressure on energy costs in the retail and wholesale markets, despite the strengthening of crude oil prices. Page 27

DU PONT, largest US chemicals group, reported a 32 per cent rise in third-quarter net earnings to $452m or $1.87 a share, from $343m or $1.42 a year earlier, reflecting continuing strength in many of its worldwide businesses. Page 27

CANADIAN pulp and paper groups, particularly those with most of their sales in the US and overseas, are benefiting strongly from higher prices and peak operating rates and are posting a major resurgence in earnings. Page 27

PEUGEOT-CITROEN, private French motor group, expects to report a sharp rise in consolidated net profits this year. Page 28

OK BAZAARS, big South African supermarket chain, increased sales 16.9 per cent in the six months to September 30, against a background of low growth in the disposable earnings of the lower and middle income groups. Page 18

CREDIT Corporation of Malaysia, large finance company, has reported a slide into an operating loss of 56m ringgit (US$22.4m) for 1986 from a profit of 5.3m ringgit in 1985. Page 18

JVC, leading Japanese maker of video cassette recorders, more than doubled its pre-tax profits in the six months ended last September, despite a sharp drop in exports. Page 18

BROKEN HILL Proprietary, Australia's largest company, is to spend up to A$100m (US$71.7m) on a plant to make 15,000 tonnes a year of high-grade electrolytic manganese dioxide. Page 18

MODO, Swedish pulp and paper group, has stepped up its efforts to gain control of Holmen, a rival domestic forest products group and Europe's leading newsprint producer, with a SKr1.4bn ($222m) offer for the 31 per cent stake in Holmen currently held by Marieberg, the newspaper and publishing group. Page 28

DOLLAR UNDER PRESSURE • BANK OF ENGLAND INTERVENES • TOKYO SHARES IN NEAR RECORD FALL

World equities slump deepens

BY JANET BUSH IN LONDON AND RODERICK ORAM IN NEW YORK

THE GLOBAL equity market crisis entered its second week yesterday with no sign that the selling is about to stop. Taking their cue from the spectacular fall in share prices in the reopened Hong Kong market, London and Wall Street again recorded big losses.

Bond prices continued to soar as investors fled equity markets amid continuing acute nervous- lapse in equity prices on the world economy and the dollar remained under selling pressure.

The Bank of England bought significant amounts of dollars but this was in an effort to stem sterling's rise and there was no sign of co-ordinated central bank intervention.

In Tokyo, the stock market suffered its third-largest fall ever and the wave of selling swept across the time zones to Europe.

In London, the broadly-based FT-SE 100 index closed more than 100 points lower, leaving the market nearly 27 per cent lower over the last six sessions. This year's rise in share prices has now been wiped out, a disappointing way to celebrate the first anniversary of Big Bang today.

On Wall Street, fragile hopes after Friday's relatively stable performance that this week could see a quieter and less volatile week were shattered by share price falls abroad.

The Dow Jones Industrial Average closed down 156.83 at 1793.93, a mere 55.5 points above last Monday's close.

The breadth of yesterday's decline was almost as severe as the stampede to sell last Monday. On the New York Stock Exchange, the ratio of declining to rising issues was an extremely bearish 17 to one.

US shares opened sharply lower, triggering heavy selling both by institutional and retail investors.

"A lot of those people came unhinged," said Mr Hugh Johnson, chief investment officer of First Albany, a New York brokerage firm. Small investors had been encouraged over the weekend through media reports and advertisements to hold on to their stocks but the renewed plunge in prices proved too strong a sell signal for many to resist any longer, he said.

People were deeply unsettled by the spectacle of markets around the world chasing each other lower. "You could throw almost any positive news at the market and it wouldn't take any notice," said Mr Johnson. Credit markets, in contrast, continued their unprecedented rally. The price of the Treasury's benchmark 30-year bond rose another 1 1/4 points for a yield of 8.97 per cent, representing a gain of 14 per cent over the past week.

The plunge in share prices happened despite the US Federal Reserve's substantial and early injection of liquidity into the financial system.

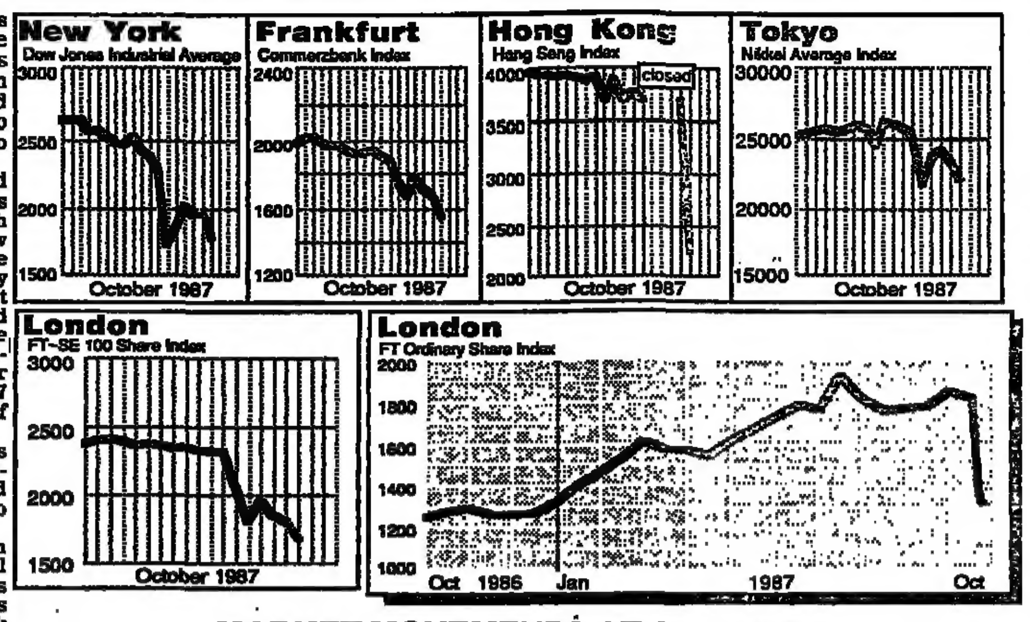
Another influence which should have been more helpful was the absence of pressures exerted on equities by futures markets. The New York Stock Exchange continued its ban on programme trading of baskets of shares and traders said they saw little if any portfolio insurance through stock index futures. These factors had contributed to the astonishing collapse of prices a week ago.

Without them yesterday, "the decline was more controllable", said Ms Hildegard Zagorski, an equity market analyst with Prudential Bache.

US exchanges closed two hours early for the second session running to help ease the paperwork burden left over from last week's unprecedented volume. Trading yesterday was equivalent to a normally heavy but full session.

On the London Stock Exchange, modest comfort could be drawn from the fact that the index managed to recover from a fall of 157 points earlier in the session. The FT-SE 100 index closed 111.1 lower at 1684.1, its

Continued on Page 26



MARKET MOVEMENTS AT A GLANCE

New York: Wall Street prices slid relentlessly through the day, closing off 156.83 points at 1793.93 on the Dow Jones Industrial Average.

Tokyo: Tokyo share prices fell 4.7 per cent with the Nikkei average closing 1,096.22 points down at 22,202.56.

Hong Kong: The Hang Seng index shed a third of its value, plunging 1120 points to 2241.69.

London: The FT-SE 100 index closed off 111.1 points on the day at 1684.1, after trimming deeper losses earlier in the day.

Frankfurt: Frankfurt shares fell sharply along with most exchanges on the continent. The Commerzbank index was off 5.8 per cent to 1,569.2 points, and prices continued to fall later in the day.

Singapore: The steep slide in Singapore share prices continued unabated, with the Straits Times Index off 54.97 points to 908.60.

Australia: Australian share prices followed the examples set throughout the Far East, with the All Ordinaries index off 6.7 per cent at 1,413.0. The All Industrials index fell 164.7 points to 2,147.3.

Johannesburg: Share prices in Johannesburg continued to slide, with the JSE overall index off 134 points to 2,127. The all-gold index sank 104 points to 1,903.

Amsterdam: A late rally in Amsterdam trimmed the day's losses, although prices were still down sharply on the day. The all-share index was off seven to 71.8.

Brussels: A 3 per cent fall in share prices made the Brussels decline less severe than elsewhere in Europe, with the cash index down 198.52 to 4,317.93.

Paris: Improved employment figures and good trade prospects failed to stem a 8.05 per cent dip in the all-share index.

Zurich: The Swiss Bank Index closed at 526.9, down from 588.6.

Madrid: All shares on Madrid fell on the day, with the general index off 14.25 at 255.30.

Oslo: Oslo joined the rest of Europe in a sharp fall in share prices, with the all-share index off 18.29 to 325.16.

Stockholm: Pessimism gripped the Stockholm market yesterday. Volume was reported at normal levels, while prices fell 5.5 per cent on the all-share index.

Seoul: The Korea Stock Exchange bucked the worldside trend and touched a new record high yesterday, up one point on the composite index to 517.15.

Thailand: Thai shares fell off by 7.8 per cent yesterday on the 97-stock Securities Exchange of Thailand index, closing at 368.18.

Reagan agrees to discussions on budget compromise

BY STEWART FLEMING, US EDITOR, IN WASHINGTON

PRESIDENT Ronald Reagan, under pressure because of the plunge in Wall Street share prices, agreed yesterday to set up a top-level working group with Congress which will try to negotiate a Federal budget compromise.

After a meeting between the President and both the Republican and Democratic leadership of Congress, the White House said that the negotiating group would hold its first talks today.

The White House team will be headed by Mr Howard Baker, the White House Chief of Staff, and Mr James Baker, the Treasury Secretary. Mr James Miller, the President's budget director, will also participate.

Striking a noticeably concilatory tone, the White House said that apart from social security, everything in the budget would be "on the table" - a comment taken as an unambiguous sign that tax increases proposed by the Democrats on Capitol Hill would be discussed.

But neither the White House nor the leaders of Congress, who briefed reporters after the hour-long meeting with the President, would be drawn into detailed comment.

Asked why both sides were refusing public comment on such issues as whether an effort might be made to cut more than the $23bn from the 1988 deficit already being discussed, Representative Thomas Foley, the Democratic House Majority Leader said: "We don't want to get into a bidding war."

Mr Foley added that the symbolism of what is taking place - that Congress and the President are addressing the budget deficit issue together - is important because, if the negotiations succeed, they could lay the foundations for further action in the future.

There is also a desire to minimise expectations because of concern that if the effort fails the financial markets could react adversely.

President Reagan had consistently refused calls this year from Congressional Democrats to convene a budget "summit". The Democrats have maintained that, without Presidential participation, a compromise package of spending cuts and revenue increases could not be reached because of Mr Reagan's stubborn determination not to concede a tax increase.

Last Thursday, Mr Reagan signalled that he was ready to meet the congressional leadership to set up a budget negotiating procedure.

However, even before the negotiations formally begin, some on Capitol Hill, echoing Wall Street's judgement, had argued that an agreement covering only the $23bn of deficit reduction which would have been forced on Washington by the automatic spending cuts next month, were not enough.

ON OTHER PAGES

Hong Kong shares lose $25bn value in record day's fall

By David Dodwell in Hong Kong

THE HONG KONG Government is to launch a commission of inquiry into the workings of the territory's futures and stock exchanges and promised sweeping reforms.

Share prices fell by a third yesterday when the markets reopened after a week's suspension. At the close, the Hang Seng Index had fallen by a record 1,121 points to 2,241, wiping about HK$200bn ($25.72bn) from share values.

The Government has not yet publicly acknowledged that an inquiry is to be launched - mainly for fear that this would add to turbulence on the market.

However, assurances that the financial system will be overhauled have been given in writing to stockbrokers contributing to a HK$2bn lifeboat fund intended to defend the territory's beleaguered futures exchange, and in fact were demanded by brokers as a condition of their support. Completion of the package late on Sunday night paved the way for the reopening of the stock market.

Controversy over the decision to suspend trading continued yesterday with Mr Ronald Li, the exchange's chairman, claiming that a collapse of yesterday's proportions a week ago would have bankrupted many brokers.

International institutions continued to insist that yesterday's fall had more to do with pent-up trading demand during the suspension than with the exchange's ability to weather the turbulence of the past week.

They continued to throw doubt on claims by the Stock Exchange Council and the Hong Kong Government that closure had been essential to prevent a massive build-up in settlements.

They also questioned the propriety of giving stock exchange officials who had investments in both the stock and futures markets the unfettered power to suspend trading.

None suggested that the exchange committee suspended the market in order to protect personal interests, but instead asked whether individuals who had investments at stake should not, as a matter of principle, leave such decisions to the Government.

The first step in this direction was taken on Sunday with the announcement that Mr Ronald Li, deputy chairman of the futures exchange, and Dr Kim Cham, its chairman, had stepped down.

There were no actual defaults on the futures market, but trad-

Continued on Page 26

BP underwriters launch late attempt to stop $12bn issue

BY RICHARD TOMKINS IN LONDON

THE 17 chief underwriters of the UK Government's £7.2bn ($12bn) offer of shares in British Petroleum yesterday launched an eleventh-hour attempt to get the issue stopped.

They have invoked a legal procedure in the underwriting agreement which provides for action to be taken if they and the Treasury agree that the circumstances warrant it.

This move follows yesterday's sharp fall in the London stock market which left BP's existing shares 21p down at 286p. At that price, the quoted stock is 64p less expensive than the shares being offered.

It also emerged yesterday that well over 100,000 small investors have applied for shares in the BP offer and that applications are still pouring in as tomorrow's 10am close approaches. These investors stand to take heavy paper losses when dealings begin at 2.30pm on Friday.

With nearly 2.2bn shares being sold, the underwriters and sub-underwriters face paper losses of up to £1.4bn if, as seems likely, they have to take up most of the remaining stock.

The UK underwriters - led by N.M. Rothschild, the merchant bank - are carrying a relatively small part of this risk because 40 per cent of the issue has been underwritten overseas and the UK portion has been sub-underwritten with well over 400 institutional investors.

However, the underwriting agreement effectively puts them in the position of representing all the underwriters when it comes to deciding whether the issue should be pulled.

The agreement provides for action if there has been "any adverse change in national or international financial, political, industrial or economic conditions or currency exchange controls ... which, in the reasonable opinion of the Treasury or a majority in number of the underwriters ... is of such magnitude and severity to be material in the context of the offers ... and which ... should not in the resonable opinion of a majority in number of the underwriters be regarded as a proper underwriting risk."

Rothschild and the other 16 underwriters met yesterday and decided on a majority vote that in their view these conditions had been satisified. The next part of the clause says that if this is so, "the Treasury and Rothschild on behalf of the underwriters (after consulting with BP) shall consult as to what action shall be taken thereto."

The assumption is that this leaves the Treasury with full discretion over whether or not the offer should proceed. So far it is showing no signs of capitulating on its often-repeated assertion that the offer will go ahead.

The Treasury has, however, agreed to meet Rothchild to hold the consultations required by the agreement.

Mr John Smith, the opposition Labour Party's Treasury spokesman, wrote to Mr Lawson yesterday about the plight of small investors who have already applied for BP shares at a price well above the current market price. Mr Smith said these people should be given the opportunity to withdraw and should not be sued if they now cancelled their cheques.

Two Liberal spokesmen, Mr Alan Beith and Mr Malcolm Bruce, also wrote to Mr Lawson, urging that the issue should be suspended since allowing it to go head might further depress "an already battered market."

Lex, Page 26

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VIOLENCE MARS RUN-UP TO SEOUL ELECTION

Roh Tae Woo, candidate of the ruling party, who has been dogged by protests, Page 5

FINANCIAL MARKETS IN TURMOIL

David Dodwell reports on how the colony's exchanges are attempting to weather the financial typhoon which has struck them

Hong Kong seeks succour in lifeboat - and roast pig

A ROAST PIG was brought on to Hong Kong's shell-shocked stock exchange at the end of trading yesterday - a last-resort gesture among the territory's superstitious Chinese used when all other appeals to the gods have failed.

As individual listed companies saw their shares fall in value over the day by 30-60 per cent, a large number of roast pigs were doubtless being rushed over corporate thresholds. Whether they have succeeded where mortal market operators have failed will be discovered only when the stock exchange reopens its doors this morning.

All that could be said last night was that there seemed to be a lot of nervous unbelievers about. Mr Ronald Li, in the midst of a robust news conference aimed at justifying the stock exchange's decision to suspend trading for four days, did not mince his words: "Prices are going to fluctuate wildly," he predicted.

Those wild fluctuations seem certain to throw several brokers and futures market operators on to the rocks, but as yet no company has floundered. Mr Li, who remains chairman of the stock exchange despite his resignation on Sunday as deputy chairman of the Hong Kong Futures Exchange, would say no more yesterday than that a "small number" of brokers faced difficulties, and that "only small sums are involved - around HK\$3m-HK\$4m (£232,000-£310,000)."

No-one expects to have to wait long before the first defaults on the futures market propel traders cap-in-hand to the Guarantee Corporation which has been entrusted to handle the HK\$2bn lifeboat scheme agreed late on Sunday.

Unhappily for many traders, who would wish for more time, all October futures contracts mature on Friday. If last night's closing price of 1975 prevails on Friday, then those with long positions on those contracts face liabilities running beyond HK\$1bn which must be settled within the week.

While the Hang Seng Index ended the day at 2241.7 - more than 270 points above the spot futures price - the likelihood of volatility is such that very few analysts expect the futures traders to win a reprieve. Some 38,000 contracts remain open for this month, or November or December. It is not clear how many of these are October contracts that will have to be settled by the end of the week, but whatever the number, the outlook for many is grim.

Executives in Hambros, the UK merchant bank advising the Hong Kong government on handling the crisis, conceded to stockbrokers yesterday that they had not had time to do any accurate sums on the scale of demands which will be made on the Guarantee Corporation. It would be unfair to say that there are hopes and prayers underpinning the adequacy of the HK\$2bn lifeboat, but these certainly play a part in the decision that this should be enough.

Among the local brokers - most of whom had been long in the futures market when the crash came and were trading either on their own account or for wealthy clients - liabilities are the greatest and are the subject of an absolute feast of rumour.

> **No-one expects to have to wait long before the first futures market defaults propel traders to the Guarantee Corporation**

The head of one big property group is understood to have 10,000 long contracts outstanding - which at yesterday's spot futures price would mean losses of just under HK\$1bn during the past 10 days.

Among the big institutions active in the futures market - most them taking short positions arbitraged against investments on the stock market - the only hint at levels of exposure comes in the commitments they have made to the lifeboat.

By far the largest subscriber to the lifeboat is Wardley Thompson, a futures market specialist controlled through Wardley by the Hongkong Bank. It has contributed HK\$100m. Contributing HK\$75m apiece are Vickers da Costa, wholly owned by Citicorp, and James Capel (also owned by Hongkong Bank). First Pacific has contributed HK\$50m, while Sun Hung Kai has put in HK\$30m. Stockbrokers Hoare Govett and Chintung have, with merchant bankers Jardine Fleming, contributed HK\$15m apiece, with Barings, Bankers' Trust, Schroders and Posang Bank (a member of the Bank of China group), each contributing HK\$10m.

Despite government assurances that "involved brokers" had contributed HK\$500m to the lifeboat fund, these contributions actually only total HK\$415m.

Mr John Mansfield, who heads Wardley Thompson in Hong Kong, yesterday used Hambros' help to gather together a further 20 stockbrokers and bankers active in the territory in an effort to underwrite the remaining HK\$85m. It is not clear yet how successful this underwriting operation - or perhaps it is sub-underwriting - has been, but responses appear to highlight a number of controversial issues that have been brought into fine focus by the crisis of the past week.

First, the brokers wooed yesterday, none of whom are active in the futures market or have any exposure to it, appear to be asking why they should be asked to bail out a group of gamblers who are this week reaping their just deserts.

Second, they are asking why the community's international stockbroking and merchant banking fraternity should be called upon to underpin a lifeboat when even today they have not a single representative on either the stock market committee or the futures exchange committee - both of which have considerable autonomous power over the exchanges.

Third, they were concerned about a concentration of resources on support for the futures exchange when there is a case for saying that support could be put to more constructive use in the equity market itself.

One stockbroker commented: "The futures exchange is certainly something to worry about, but in the last resort the stock exchange can survive without it. The same cannot be said the other way round."

The presence of Posang Bank - one of the 13 "sister banks" controlled by Beijing that operate in Hong Kong - in the lifeboat list is fascinating, not just because it singles out that bank's special interest in futures and gold trading, but because it highlights the relative absence of Chinese banks or brokers from the rescue operation.

There are no other Chinese banks among the guarantors to the futures exchange who have matched the stockbrokers' HK\$500m contribution with a similar contribution of their own. This cash comes from the Hongkong Bank, Chase Manhattan, Standard Chartered, Credit Lyonnais, Barclays and Wing On Bank, which is controlled by the Hang Seng Bank.

Worried Hong Kong residents await news of their investments outside the closed doors of the colony's stock exchange.

There were nevertheless market rumours yesterday (unsupported by any strong evidence) that Chinese stock brokers and financial institutions were active traders in the stock market yesterday, buying shares in companies in which they have an interest, or which have strong links to China.

Whether this was out of a politically motivated desire to restore stability, or a conviction that bargains were there for the taking is unclear - and since it did not result in their stocks performing conspicuously better than others yesterday, it might have been on a much smaller scale than the rumours suggested.

Mr Li Kashing, who controls companies accounting for about 20 per cent of Hong Kong's (dwindling) stock market capitalisation through his holding company Cheung Kong, at last won agreement from the local takeover committee for temporary suspension of the rule preventing shareowners from buying more than a 35 per cent stake in a company without triggering a full bid.

The demand was aimed at enabling him to tap his own resources to support his own shares, with the aim of buoying the whole market as a result. While agreement was given reluctantly at lunch yesterday, there was no evidence by the end of trading that Mr Li had begun to pour funds into the market on any scale.

He is said to be willing to spend up to HK\$3bn - a statement of undoubted confidence in the local market, but at the same time an unparallelled opportunity to lay the ground for a substantial windfall profit

One has the impression that ploys of this kind, at the end of the day, are going to achieve more good than roast pigs. But since Mr Li is probably careful to hedge his bets, who is to say there are not roast pigs in Cheung Kong's Pedder Street headquarters this morning?

UK PRIVATE INVESTORS SEEK SAFER PLACES FOR THEIR CASH

Building societies expect cash flood

BY HUGO DIXON

SOME OF the biggest winners from the stock market crash are likely to be Britain's building societies.

During the bull market, when small investors were attracted by the capital gains that could be earned on privatisation issues and unit trusts, societies found it extremely difficult to attract funds. Now they expect this trend to reverse. If their expectations are fulfilled, the dynamics of the retail savings and mortgage markets will be changed.

The impact on this week's BP privatisation issue has been most immediate. Societies were last week bracing themselves for a massive outflow of funds, but there was actually an inflow.

Halifax, the UK's largest society, which had been expecting a net outflow of £200m (\$335m) last week, experienced a net inflow of £40m. The story was similar, but less pronounced, at both Abbey National and Nationwide Anglia, respectively number two and three. The first figures so far this week from Nationwide Anglia confirm the trend.

There has been a "virtual abandonment of the BP issue by the private investor," says Mr Jim Birrell, Halifax's operations director. Abbey National's Stewart Gowans says withdrawals associated with the BP issue have stopped.

But societies think BP will only be the beginning. Over the next couple of weeks, they expect to see the first signs of an inflow of funds as investors whose fingers were burnt get money back for shares they have sold.

Even more important, they expect to see much less of an outflow of funds over the next few months from people who might otherwise have invested in the stock market. "We'll see people turning back to building societies," says Mr Brian Whitfield, Nationwide Anglia's general manager for marketing.

The overall effect will be to strengthen the position of societies. Over the past year, there has been intense competition in the retail savings market. This has meant that societies have been paying considerably more at the margin to borrow from small investors than they would have paid if they had raised money on wholesale financial markets. At the same time, they have been prevented from borrowing heavily on wholesale markets by last year's Building Societies Act.

This, in turn, has limited the extent to which they could compete in the mortgage market. Not only were they unable to raise enough funds to finance mortgage demand, they also found it difficult to match the rates being charged by banks and specialist mortgage lenders, who were financing themselves cheaply on the wholesale markets. Societies have witnessed a sharp decline in their share of the mortgage market

The stock market crash raises the prospect that societies may be flush with funds over the next few months and consequently have to pay less good rates to attract them. This would strengthen their competitive position and allow them to cut mortgage rates.

How much the industry gains from the crash, however, will depend on two factors. First, will base rates fall further? If they do, building societies will have less of an advantage, as the cost of their competitors' finances will also be dropping.

Second, will house prices stop rising? If they do, the mortgage market as a whole is likely to shrink.

Japanese bond delay likely

The Japanese Finance Ministry is expected to put off proposing terms on the November government bond issue until the market becomes more stable, or to cancel it altogether.

Market analysts anticipate some difficulty in raising the coupon from the 4.9 per cent on September bonds. This was because the Ministry had persuaded the long-term banks into leaving their prime rate unchanged at 5.7 per cent for November, despite the recent sharp drop in bond prices, they said.

●Traders on the Tokyo Stock Exchange (pictured left) struggle to sell shares

Singapore puts curb on futures trading

BY ROGER MATTHEWS IN SINGAPORE

THE SINGAPORE International Monetary Exchange has taken steps to dampen speculation in futures in apparent reaction to the difficulties faced by the Hong Kong market.

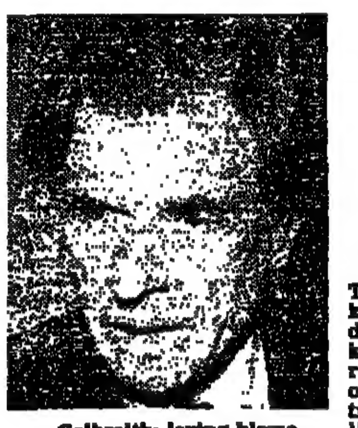
It has imposed a daily price limit on the Nikkei Stock Average Futures Contract which now cannot be traded at a level of more than 5,000 points above or below the preceding day's settlement price.

"Although a couple of weeks ago we would have been complaining about excessive regulation, today it seems a sensible and prudent decision," one broker commented. "The Simex Board is determined that the integrity of the Singapore Exchange should be protected."

Simex has also revised upwards the minimum margin levels for Eurodollar and Nikkei contracts while reducing the limit on outstanding positions. Customers already above the new limit can continue those positions provided they are adequately margined. But they will not be allowed to put up new positions.

The initial margin on Nikkei outright positions, has been raised by Y500,000 (\$3,500) to Y1.5m. The margin to be maintained has gone up Y250,000 to Y1m.

The daily trading volumes in Simex have accelerated rapidly this year. By mid-year the number of contracts traded equalled the total for 1986, with the Nikkei up in volume by 450 per cent.



Galbraith: laying blame at Reagan's door

Galbraith discounts depression

By Alan Friedman in Rome

THE CRISIS that has hit world equity markets "is fully comparable to the crash of 1929, and in some respects worse, but this will not lead to another depression." That was the view expressed yesterday in Turin by Professor John Kenneth Galbraith, the American economist, at a conference in the Piedmontese capital.

He used the occasion to launch a harsh attack on the economic policies of the Reagan Administration, saying: "We can lay this market crash at Mr Reagan's door." He called the situation on Wall Street "the last chapter of Reaganomics."

According to Prof Galbraith, the causes of the market crash are twofold - the "sophisticated stupidity" of market speculation and the economic policies of both Arthur Laffer and Milton Friedman.

Prof Laffer's supply-side economics had cut taxes and placed enormous liquidity in the hands of corporate money managers, thus contributing to the exaggerated bull market.

Prof Friedman's monetary policies, according to the Galbraith analysis, had led to high interest rates, an overvalued US dollar and, in turn, the increase in the US trade deficit and the influx of enormous foreign liquidity into Wall Street.

He stressed, however, that the drop in world stock markets was "substantially a financial crash, rather than a reflection of the real economy." He predicted that the market would eventually rediscover the value of blue chip stocks.

Investors wince as junk bonds follow equities' descent

BY JAMES BUCHAN IN NEW YORK

THE COLLAPSE in stock-market values has been a tremendous boon to fixed-income markets all over the world. Interest rates, which measure the price of money, have tumbled as central banks desperately pump in liquidity to create buyers for stocks.

But there is one ghost at the bond-market feast. The \$100bn-plus US market for low-grade, high-yield corporate securities known as "junk bonds" has suffered from a capital flight no less ghastly than that hitting equity prices.

While investors have poured into US Treasury bonds, cutting long-term interest rates by more than 1.5 percentage points in a week, junk bond prices have followed equities down - with some speculative issues halving in value as traders sell at any price in a market which lacks the Government market's liquidity.

Yields on some low-grade issues to finance leveraged buy-outs or other risky transactions are up at 30 per cent. There are widespread fears that some issuers - such as Harcourt Brace Jovanovich, Supermarkets General or Burlington Industries - will not be able to finance their debt from the sale of industrial assets which have been devalued by a third by the stock market. Even average junk bond issues are yielding 5-6 percentage points more than equivalent securities backed by the US government.

In the process, junk bonds have been revealed for what some analysts always said they were: securities with all the risk of stocks and none of the rewards.

It is still too early to gauge the impact of the junk bond market's collapse. Junk bond investors include mutual funds, insurance companies and savings and loan institutions and a close-knit circle of highly aggressive investors around Mr Michael Milken, a reclusive executive of Drexel Burnham Lambert who popularised the use of junk bonds in takeovers and leveraged buy-outs.

Mr Mike Lipper of Lipper Analytical Services, which tracks mutual funds, says the average junk bond fund is down around 3 per cent as against an increase in high-quality bond funds of 2 per cent. Mr Dick Swingle, of T Rowe Price, the Baltimore mutual fund group, says that investors are selling out of junk bond funds, but not at the rate of equity funds.

But last week, tremors ran through the stock market that the primary market for junk bond issues might be dead. The result would be shattering for those Wall Street firms which have lent their own capital to finance takeovers or leveraged buy-outs in the expectation that the deal can easily be refinanced with junk bonds. In particular, Goldman Sachs and Salomon Brothers - two of the best names on Wall Street - could be left with considerable exposure to a single highly indebted company: Southland, a Texas convenience store chain which went private in the summer in a \$5bn leveraged buy-out.

However, in a deal that brought hope back to the market last week, Drexel Burnham completed a \$400m financing for a bunch of television stations called SCI Television - at a 17 1/2 per cent yield. As the dominant force in the market, "Drexel has to show that they stand with their clients in the worst of times," says Mr Wallace. And there were hopes yesterday that the Southland refinancing could go ahead, even if at a 17 1/2 per cent.

None the less, the junk bond market is now sending furious signals about the health of certain companies which took on heavy debt burdens this year.

Harcourt Brace, the publishing, insurance and theme-park group which adopted a "scorched-earth" recapitalisation to repel the UK's Mr Robert Maxwell, has a junior pay-in-kind debenture trading at 50 per cent of par. The market fears - excessively, Mr Wallace says - that the value of Harcourt Brace's assets have fallen so far that sales will not even satisfy its bank creditors let alone holders of a security so far down the pay-out chain. Supermarkets General, which went private in a leveraged buy-out, has seen one \$25-par security fall to \$12. A Burlington Industries security is trading in the high teens.

Australian big business to rescue of Perth bank

By Bruce Jacques in Sydney

A A\$300m(\$215m) rescue operation has been launched for Rothwells, Mr Laurie Connell's Perth-based merchant bank, which has become a casualty of the ructions in the stock market.

Elsewhere, one takeover bid has been called off because of the falling market, but three others have been launched, as bidders, including Mr Ron Brierley, take advantage of lower prices.

Rothwells' problems started on Friday morning when the National Australia Bank and the ANZ Bank refused to honour its cheques. By Friday afternoon, word had spread and a run developed on Rothwells with demands to withdraw an estimated A\$200m.

Mr Connell almost immediately sold two Perth property development sites for about A\$30m, but this was clearly insufficient. Frantic negotiations were held at the weekend to cobble together the rescue package.

The lynchpin is a guarantee by the Western Australian government of a A\$150m commercial bill issue by big trading banks. Rothwells has also won agreement from a diverse club of businessmen who have been dubbed "Australia Inc" to support a A\$164m share issue. The merchant bank will also make a A\$100m preference share issue.

The members of Australia Inc are a Who's Who of Australasian business, including such unlikely allies as Robert Holmes a Court, Alan Bond, Kerry Packer, John Elliott, Ron Brierley, Bruce Judge and Dallas Dempster. There has also been speculation that John Spalvins may be involved.

The rescue has caused speculations that Mr Warwick Fairfax's A\$2.55bn bid for the John Fairfax media empire may be aborted since Rothwells is the key adviser and a leading player in the situation.

Meanwhile, Sherwin Pastoral has launched a bid worth just on A\$100m for Australian Agricultural, one of the country's biggest rural trading and finance groups. The company recently fought off a A\$6.25-a-share bid from Mr Ian Boles, a private pastoralist. The new bid is A\$7-a-share on an ex-dividend basis.

Industrial Equity, Mr Ron Brierley's master company, has launched a bid worth just under A\$40m for United Dairies, another rural group. IEL already holds just under 20 per cent of the company's capital.

In a further rationalisation in the Australian oil sector, Command Petroleum, part of the resources empire of Mr Robert Champion de Crespigny, the Perth-based businessman, has launched a share and cash swap for Sydney Oil Co.

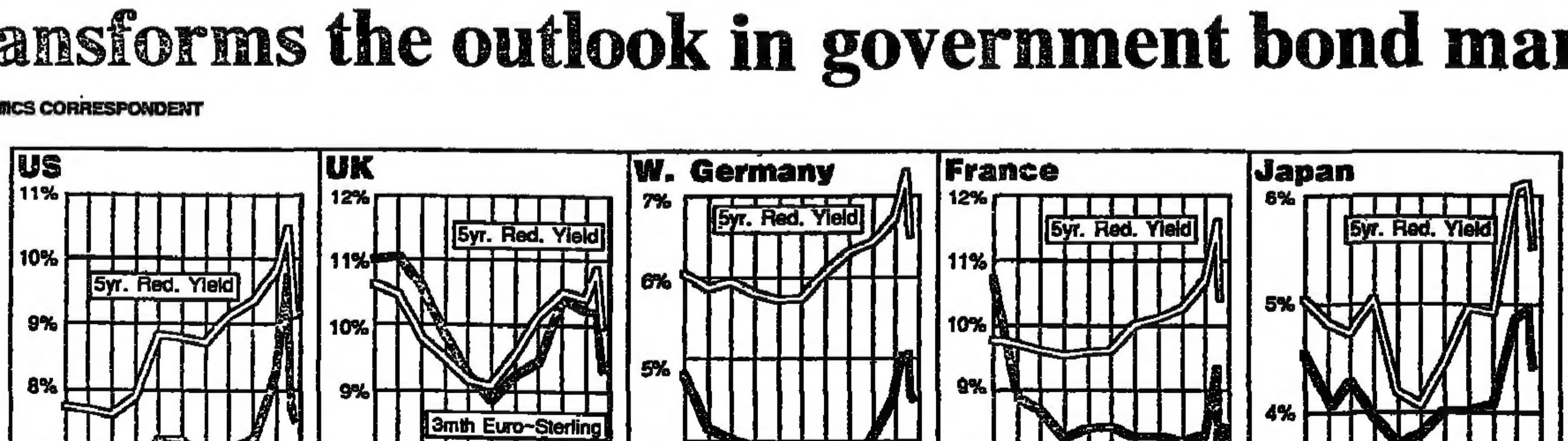
Crash transforms the outlook in government bond markets

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT

WITH STOCK markets continuing to slide yesterday, investors in government bond markets were counting their gains as the recent decline in international interest rates gathered pace.

Just two weeks ago, the consensus was that borrowing costs would continue on the upward trend seen since the spring in response to fears that inflation rates around the world were heading higher. West Germany's official endorsement of that trend sparked the transatlantic row which many experts believe was a significant factor behind the stock markets' crash.

The crash itself, however, has transformed the outlook - at least temporarily. As the charts illustrate, short and long-term interest rates have tumbled in each of the Group of Five nations over the past week.



The most obvious impetus has come from the perception that falls of 20-30 per cent in stock markets have radically changed the prospects for both growth and inflation. That has been reinforced by the action of central banks - above all the US Federal Reserve - to ensure that there is sufficient liquidity in their money markets to underpin financial institutions.

Consumers in the industrialised world are expected to react to the equity price slump by cutting back on spending and increasing their savings. Industrial companies are thought likely to postpone investment decisions because of the higher cost of equity capital and a less certain outlook for demand.

In the view of the markets, this prospective slowdown in growth translates into a much improved outlook for inflation, making the returns offered by government bond markets around the world look increasingly attractive.

Prices in those bond markets started to rise almost as soon as equity prices slumped, but the trend has accelerated over the past few days. Higher prices, of course, mean a fall in the interest rate or yield on such long-term instruments.

Bond markets have also benefited from a "flight into quality" - the instinctive reaction of investors in times of financial turbulence to switch cash into government-backed securities.

The sharp downturn in short-term interest rates began with last week's announcement by the Fed that it would serve as "a source of liquidity to support the economic and financial system". In other words, it was prepared to pump enough cash into the system to ensure that the stock market collapse was not followed by a monetary squeeze which could tip exposed financial institutions into bankruptcy.

Other central banks took a similar, though far less public line. The Bank of England reduced its money market dealing rates on Friday, while the Bundesbank indicated it would at least resist any further increases in West German rates.

What remains less clear, however, is just how far the central banks are prepared to let rates fall in order to bolster confidence in stock markets. Yesterday, the Bank of England resisted pressure for a further cut, while the Bank of Japan signalled that it was not considering lowering its official rates.

How long they - along with the Bundesbank - can stick with that policy if foreign exchange and stock markets remain in turmoil is even less certain. The dollar has depended for its stability this year on a widening interest rate differential between the US and the rest of the world. This gap that will be eroded if rates outside the US now fall by less that those on Wall Street.

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Spain's visible trade gap widened in September

BY DAVID WHITE IN MADRID

THE GROWTH in Spain's merchandise trade deficit following its entry into the European Community accelerated in September, according to the latest customs figures.

In dollar terms the trade gap for the first nine months was almost double last year's at $10.26bn, an increase of 94 per cent. In pesetas, the gap widened by 74.5 per cent to Pta1,308bn *from Pta750bn at the* same stage last year, as Spain's deficit with its 11 EC partners multiplied ninefold.

The September deficit of Pta165.5bn was 25 per cent higher than August.

The figures confirm the rush of non-oil imports onto the Spanish market since tariff barriers started to be dismantled 18 months ago, coinciding with a strong recovery in Spanish consumption and industrial investment.

Spain had previously run a regular trade deficit because of its oil imports, but the change in trade patterns since joining the Community has wiped out the benefits of cheaper oil and plunged the remainder of the country's international commerce and its dealings with the EC - which in both cases were in surplus before entry - into the red.

The deficit with the EC rose to *Pta443bn* in the first nine months compared with Pta49bn in the same period of 1986 and a Pta200bn surplus the year before.

Total imports between January and September rose 25.3 per *cent to Pta4,341bn despite* a virtual standstill in energy purchases, which rose by less than 1 per cent to Pta753bn.

Other import categories showed a 32 per cent growth, including almost 90 per cent for cars, 63 per cent for shoes, 62 per cent for toys and sports goods and 49 per cent for electrical machinery.

Exports rose by 11.7 per cent to Pta3,030bn, showing a stronger trend in September with a 33 per cent rise over the same month last year, led by food and farm products.

Bonn denies East German loan claim

BY LESLIE COLITT IN BERLIN

MR HELMUT KOHL, the West German Chancellor, yesterday denied that the Bonn Government was prepared to guarantee a large loan to East Germany in return for humanitarian concessions by East Berlin.

The news magazine *Der Spiegel* said negotiations were under way for a DM4bn loan to East Germany by a consortium of banks led by the Bayerische Vereinsbank, which would be partially guaranteed by the West German Government.

The bank yesterday denied involvement in the loan.

Der Spiegel said East Germany had agreed to further improve travel between East and West Germany and to relax its border control procedures.

The West German publication noted that Mr Franz Josef Strauss, the Bavarian Prime Minister, who was instrumental in granting a DM1bn government-backed loan to East Berlin in 1983, had assured East Germany of his renewed support.

Mr Strauss, however, remarked in a newspaper interview on the *Spiegel* report that he had "personally" not acted as a go-between for a new loan.

Chancellor Kohl dismissed the report as a "phantom discussion" which he knew about only from the press. "There is nothing to it," he told reporters in Bonn. Mr Friedhelm Ost, the West German Government spokesman, acknowledged, however, that this did not exclude *possible* contacts on a loan between West German banks and East Germany.

West German credits for East Germany in return for humanitarian concessions were widely reported during the visit last month to West Germany by East Germany's leader Mr Erich Honecker.

The head of the West German Parliament's Inner German Relations Committee, Mr Hans-Guenter Hoppe, said in another reaction to the reported loan *negotiations that a state-guaranteed* credit for East Germany was not at present under discussion. East Berlin would first have to show itself appreciative of the "advanced trust" shown by West Germany during Mr Honecker's recent visit.

Spiegel said East Germany was prepared to use part of a loan to modernise railway connections between West Berlin and West Germany.

W German tax 'will deter investors'

A SURVEY of world investors shows that almost all plan to reduce their investments in West German bonds if West Germany goes ahead with its proposed withholding tax, according to *Mr Gilman Gunn, head of bond* research at Banque Paribas (London), Reuter reports from Antwerp.

Quoting a Banque Paribas survey of about 100 institutional investors worldwide, Mr Gunn said investors were most likely to turn to issues in guilders or euromark issues.

West Germany said earlier this month it would introduce a withholding tax under which interest would be taxed at source. The proposal sparked criticism *both inside and outside the* country.

"The withholding tax is an ill-considered measure," Mr Gunn told a conference on the European Currency Unit. "If this tax is levied, foreign investors will change their strategy."

He said foreign investors had already started moving out of the West German bond market to a small extent, although most were waiting for a final decision on the tax.

The proposed withholding tax could *reduce interest payments* on bonds, making West German bonds less attractive compared with countries where there is no such tax.

In theory, rates would rise to compensate for the withholding tax, while some investors in other countries could claim back the tax.

"But it is not just a question of (interest) rates," Mr Gunn said. "Middle East investors, for example, just will not fill out the paperwork to claim back additional tax."

In addition, Japanese investors cannot claim back withholding tax of 10 per cent or lower, he added.

All these factors can be expected to drive away foreign investors and make it harder to raise money on the West German domestic bond market, Mr Gunn said.

Poll support growing for Belgian socialist parties

AN OPINION poll published yesterday showed the centre-right Belgian Government could face *stiff* opposition from socialist parties in a general election expected before the end of the year, Reuter reports from Brussels.

The Government collapsed *last week over a language row* between French and Dutch-speaking communities, and Mr Wilfried Martens, the Prime Minister, now heading a caretaker administration, said he expected an election to be held on December 13.

The poll, conducted for the newspaper *La Libre Belgique*, showed his own Dutch-speaking Christian Democratic Party and his coalition allies losing ground to the left.

Support for coalition parties had fallen to 47.8 per cent from 52 per cent in Dutch-speaking Flanders and dropped more than 4 per cent to 42.4 per cent in French-speaking Wallonia *since elections in October 1985,* it said.

Support for the socialists in Flanders rose 3 per cent to 26.8 per cent and in the French-speaking south slightly more.

The poll showed that only in the small bilingual Brussels region were the Government parties holding their own.

Judy Dempsey reports on tensions in the Yugoslavian province of Kosovo

Serbian strong man upsets uneasy balance

THE YUGOSLAV authorities sent a special paramilitary unit to the autonomous province of Kosovo on Sunday in response to mounting tension between the 1.7m ethnic Albanians and the 200,000 Serbian and Monetenegrins who live in the province.

Tension increased over the past week when thousands of Serbian and Montenegrin women demonstrated in Kosovo calling for the resignation of Mr Fadilj Hodza, a prominent politician in the province and a *former vice-president of Yugoslavia.*

Mr Hodza had suggested in a speech to army reservists that rapes of Serbian women by Albanian men would be reduced if the Serbs in Kosovo worked as prostitutes. He has since been expelled from the party.

His expulsion, however, will do little to ease the tensions, which have been exacerbated by the hardline Serbian Communist Party.

Mr Slobodan Milosevic, president of the Serbian Communist Party, recently adopted a tough policy aimed at stamping out intimidation or violence against the Serbian and Montenegrin population living in Kosovo. Albanians in Kosovo argue that these policies are slowly eroding the political and civil rights of the ethnic Albanians living in the province.

Sections of the media in Serbia, which have come under sharp attack from the Serbian party, have criticised Mr Milosevic's policies towards Kosovo for being blatantly nationalist and chauvinist. They have also come under attack themselves.

Last May, an internal memorandum drawn up by the Serbian party at Mr Milosevic's instigation, recommended that the press "reflect the views of the party." The memorandum also recommended a thorough examination of media personnel. "It amounted to a hit list against any editor or journalist who criticises Milosevic," a journalist from Nin, a Belgrade-based *magazine, commented.*

The autonomous province of Kosovo which is constitutionally linked to the Republic of Serbia is now becoming an *idee fixe* for Mr Milosevic.

The province of 1.8m inhabitants, the majority of whom consist of ethnic Albanians, was the scene of bloody nationalist riots in 1981. The Serbian party declared an emergency, sent in the army and arrested hundreds of young Albanians.

Albanian nationalists argue that the province *should* be granted the status of a republic. Constitutionally, that would give it the right to secede from the Yugoslav federation with the consent of the six republics and Vojvodina, the other autonomous province which is also linked to Serbia.

Such an idea deeply disturbs Serbians who argue that the Albanians of Kosovo would merge with neighbouring Albania. Many Serbians also believe that the province has no right to the status of a republic because Kosovo symbolies the cradle of Serbian culture.

"Mr Milosevic intends to solve the Kosovo problem once and for all by force," journalists from Nin and other newspapers argue.

The atmosphere in Kosovo encourages *Mr Milosevic's* policies. Random violence exists in the region. The 200,000 strong Serbian and Montenegrin population continues to emigrate from Kosovo, partly out of intimidation, partly because *there are no jobs.* Kosovo is one of the most under-developed regions in Yugoslavia with an unemployment rate of over 50 per cent.

The Serbian media frequently reports cases of rape of Serbian women by Albanians and random attacks on Serbian property by Albanians. Mr Milosevic has publicly promised the Serbians to quash any outbreaks of nationalism and violence in Kosovo directed against the Serbian population living there. His principal method is to impose strict Serbian rule throughout the region.

He is moving quickly. The Communist Party in Kosovo, for instance, is undergoing a purge. Reliable pro-Serbian cadres are now being promoted. Staff at the university of Pristina, the capital of Kosovo, are being vetted for their political reliability with the emphasis on promoting the Serbian roots of Kosovo at the expense of the specific Albanian identity of Kosovo. School teachers with a hint of Albanian nationalism have lost their jobs.

Intellectuals in Belgrade privately warn that Mr Milosevic is pursuing the same nationalist policies as Mr Alexander Rankovic, the late President Tito's right-hand man. As head of the security forces during the 1950s and early 1960s, Mr Rankovic adopted a ruthless policy of suppressing the Albanians in Kosovo, the result of which led to bloody riots in 1968.

The Serbian party is in no better *shape to challenge Mr Milosevic.* Last month, during a central committee session of the Serbian party, Mr Dragisa Pavlovic was dismissed as head of the Belgrade party organisation for questioning Mr Milosevic's policies on Kosovo. Mr Pavlovic said there were no quick solutions to the problem and indirectly criticised Mr Milosevic's manipulation of Serbian nationalism in promoting his goals.

During that session, Mr Milosevic's main rival, the liberal-minded Mr Ivan Stambolic, who favours a more moderate policy towards Kosovo, was defeated. He had sided with Mr Pavlovic. The decision, at Mr Milosevic's instigation, to sack Mr Pavlovic signalled the political eclipse of Mr Stambolic.

The view in the other republics is far from united on the rise of Serbian nationalism. The more conservative republics of Bosnia-Herzegovina, Macedonia and Montenegro identity with a muted press, a strict

party line and have little patience with Kosovo.

The Republic of Croatia and the remarkably liberal Slovenia are critical of Mr Milosevic's policies towards Kosovo. They *often resent pouring in huge* sums of money to develop the region. They argue, however, that any long term stable integration of Kosovo demands time as well as judicious economic and social policies.

These two republics, along with the autonomous province of Vojvodina, will try to resist the amendments at present being drawn up in the constitution which would give Serbia greater powers over the two provinces.

Leading MEP quits French Front National

BY GEORGE GRAHAM IN PARIS

THE FRONT National, the French ultra right-wing party led by Mr Jean-Marie Le Pen, has suffered its first serious defection since its leader shocked French public opinion last month by describing Hitler's gas chambers as "a detail" in the history of the Second World War.

Mr Olivier d'Ormesson, a member of the European Parliament, resigned yesterday from the party and from his position as chairman of Mr Le Pen's presidential campaign committee.

The blue-blooded Mr d'Ormesson, mayor of his family fief of Ormesson-sur-Marne since 1947, said his withdrawal was caused by Mr Le Pen's remarks on the Nazi gas chambers and the radicalisation of the Front National's policies, "which carries a risk for the destiny of our country."

The Front National said that Mr d'Ormesson had joined the party "*thinking that he could* change it from the inside and make it lose the identity which has created the success of Jean-Marie Le Pen."

The defection follows those of several of the Front National's regional leaders, as well as an apparent split between "hardliners" and "moderates" in the national leadership.

In particular, some moderates had expressed reservations about the uproar in the National Assembly earlier this month caused by Front National members of the assembly who ran amok during a late night debate in protest at the absenteeism of other members.

If Mr Le Pen's blunder over the gas chambers and the riot in the National Assembly have outraged a broad swathe of French public opinion, it is by no means certain yet that they have destroyed his chances of scoring reasonably heavily in next year's presidential election.

Recent opinion polls give conflicting views on whether his vote has gone up or down. A recent Ipsos poll in the magazine *Le Point* showed that two-thirds of those questioned hoped Mr Le Pen would not obtain the 500 signatures of mayors and members of parliament which he *needs to present his presidential* candidacy.

Yet in the same poll, more than 40 per cent thought he was right in his views on law and order and the restoration of the death penalty and 51 per cent believed his party had a place in French political life.

Unemployment falls to lowest level for a year

BY GEORGE GRAHAM IN PARIS

UNEMPLOYMENT in France fell by 2 per cent in September, leaving the country's jobless rate at its lowest level for a more than a year.

The number of people out of work dropped last month by 52,300 to 2.6m after seasonal adjustments, or 10.5 per cent of the active population, compared with an unemployment rate of 10.7 per cent the previous month, the Ministry of Social Affairs announced yesterday.

The number of unemployed had shown an increase in August, when holidays had led to the closure of some of the training centres which have successfully taken large numbers of jobless out of the unemployment statistics.

The right-wing Government of Mr Jacques Chirac hopes by March next year to have reduced the number of unemployed to around 1.9m, the level when it took office in March 1986.

The Socialist opposition has charged, however, that another 1.4m unemployed have been removed from the statistics by special job creation and training schemes.

Before seasonal adjustments, the number of job seekers rose by 3.8 per cent to 2.67m, because of the arrival of school leavers on the labour market.

Tahiti riots add to instability in S Pacific

By Robin Pauley, Asia Editor

THE SOUTH PACIFIC, destabilised by the coup in Fiji and unrest in New Caledonia, has received a further jolt with riots in France's tropical island paradise of Tahiti.

The French have been deeply unpopular in the South Pacific region for years because of their use of Mururoa Atoll for nuclear testing. Mururoa is one of the 130 reefs and islands which together with Tahiti comprise French Polynesia

France has long faced criticism from regional nations for refusing to remove its nuclear testing site from Mururoa atoll, one of the 130 reefs and islands, including Tahiti, which make up French Polynesia.

The riots, which have resulted in the imposition of a state of emergency and a dusk to dawn curfew, followed violent incidents on Friday in which 500 striking dockworkers and youths smashed shops, set buildings and cars on fire and stoned police.

At least 30 people were injured and 60 arrested.The unrest erupted when police evicted striking dockers from the main port.

France has been trying to improve its regional image by stepping up aid to the South Pacific and taking the leaders of the Cook Islands, Tonga and Western Samoa on tours of Mururoa.

It also held limited joint naval exercises with Fiji last month despite Western criticism of the country's new military leader, Colonel Sitiveni Rabuka.

Paris also claimed to have put an end to separatist demands in its South Pacific possession of New Caledonia when a referendum last month showed heavy backing for continued French rule. However most of the Kanak separatists boycotted the polls.

France's nuclear testing is against the treaty agreed by the South Pacific Forum to ban the use or development of nuclear weapons in the region.

Britain and the US refused to sign the treaty, principally because of their ties with France.

EC to publish capital liberalisation plans

BY QUENTIN PEEL IN BRUSSELS

THE European Commission will formally publish its plans to complete the final phase of liberalising capital movements in the EC this week - in spite of last-minute doubts because of the current turbulence on international stock markets.

Mr Jacques Delors, the Commission President, is determined to press ahead with the plans for lifting all remaining restrictions on private capital transactions across EC borders.

The plans are expected to be approved at the Commission meeting on Wednesday, in spite of some lingering doubts among Commissioners that they will only aggravate the sort of financial instability currently revealed in the international markets.

Commission officials argue that their proposals bear no relation to the stock markets crisis, because EC residents in all the leading member states can already freely buy stocks and shares across borders.

Given the lack of exchange controls already in the UK and West Germany, as well as the Benelux countries, the main effect of the plans being put to EC Finance Ministers will be to liberalise transactions in France and Italy.

"We are *talking* about personal cash transfers, purchasing short-term bonds and the like," a Commission spokesman said yesterday. "These are all worrying from the point of view of controlling liquidity and the monetary base, but they have no real relation to stock exchange transactions."

Mr Delors is none the less likely to take the opportunity to re-emphasise his belief in the need to reinforce the co-operation in the European Monetary *System* in conjunction with further capital liberalisation, to prevent widespread movement of speculative money across borders.

The Commission's proposals also warn of likely problems in controlling tax evasion if individuals can move their cash about freely within the EC.

Those member states facing continuing serious balance of payments problems with the rest of the Community - such as Spain, Portugal, Greece and Ireland - would be allowed to maintain limited exchange controls at least until 1992, when the frontier-free internal market is supposed to come into effect.

The Commission has so far proposed that Spain and Ireland should phase out such controls by 1990, and Portugal and Greeceby 1992.

Delors: determined to press ahead with plan

The proposals will be put to next month's *meeting* of EC Finance Ministers, after discussion by the EC monetary committee, which has been working with the Commission on their preparation.

TALKS CALLED ABOUT RADIATION STANDARDS

An emergency meeting of EC Foreign Ministers has been summoned for Thursday night to resolve virtual deadlock over the safety standards to be set for radiation in foodstuffs in the event of a nuclear accident, writes Quentin Peel in Brussels.

The ministers have a deadline of October 31 to agree on whether to continue the present regime introduced after the Chernobyl disaster in 1985 - or allow a legal vacuum to ensue.

In spite of strong British, French and Spanish opposition, they are expected to agree on continuing the present relatively strict standards, pending a deal on the acceptable radiation levels to be fixed in the event of any future accident.

If there is no agreement, then West Germany, Denmark and the Netherlands are expected to introduce their own national standards immediately - requiring border checks on food products, and widespread disruption of trade.

***France, Spain and the UK,* who between them command a blocking minority, have been fighting for radiation standards recommended by national scientists in the Euratom Article 31 committee.**

Other member states, led by West Germany, want stricter standards to reassure public opinion, whereas the European Commission has sought to propose a compromise in the middle.

French trawlers blockade Calais and Boulogne

BY KEVIN BROWN, TRANSPORT CORRESPONDENT

FRENCH FISHING trawlers blockaded the Channel ports of Calais and Boulogne yesterday in protest at an extension of UK territorial waters from three to 12 miles.

Ferry services from Dover and Folkestone were suspended in mid-morning after the P & O European Ferries ship Free Enterprise IV was prevented from leaving Boulogne.

The blockade was mounted without warning, and the ferry companies were unaware of its purpose for the most of the day. There was no indication from the fishermen of when it would lifted.

The protest followed the extension of UK territorial waters on October 1 to match the 12 miles limits adopted by most other European Community countries.

EC fishermen retain access to fishing grounds with six and 12 miles, but are excluded from prime waters off the Thames Estuary by the Common Fisheries Policy, which gives exclusive access within six miles of the coast to UK trawlers.

The British Foreign Office said the French and Belgian governments had been kept fully informed, but confirmed that both had recently sought urgent discussions. Talks are expected to take place in Brussels next week.

P & O, the main operator on the Channel, said a 24-hour blockade would affect 10 sailings in each direction between Dover and Calais, *and eight* each way between Dover and Boulogne.

Sealink UK, which operates in conjunction with the shipping services of SNCF, the French railway authority, said 16 services would be affected in each direction between Dover and Calais, and six each way between Folkestone and Boulogne.

Both companies said passenger traffic was light, despite half-term holidays in many UK schools. Some passengers were transferred to the Dover/Ostend jetfoil service

Dover Harbour Board said around 300 lorries were held up in the port's Eastern Docks, but serious congestion was unlikely unless the action was prolonged.

Solidarity denounces Poland's economic reform referendum

BY OUR FOREIGN STAFF

POLAND'S banned independent trade union Solidarity yesterday denounced the Government's planned referendum on economic reform as "solely propaganda" and urged Poles to boycott the vote.

In a communique issued by Solidarity activists in Gdansk, the union said it favoured economic and political reform, but said the announced questions for the referendum on November 29 were too general and presented no concrete steps towards democratisation.

Meanwhile the union announced that it was reorganising itself, by eliminating its underground branch and setting up a new national commission chaired by Mr Lech Walesa.

The Polish parliament, the Sejm, on Friday made public the questions to be asked in the referendum.

The first question asks the Polish people if they approve of a radical programme of economic reform to improve living conditions, knowing that it could mean two to three years of difficulties.

The second asks if Poles want "a Polish model of democratisation" that would broaden citizens' rights.

The Solidarity statement also said the Government is discredited.

"The country is being governed today by the same team that introduced martial law six years ago, quashing the democratic aspirations of society," the statement said.

"The government at that time solemnly pledged to introduce an economic reform and lead the country out of its crisis. None of these promises has been kept,"it added.

The union said the referendum, Poland's first in 41 years, could have presented Poles with a genuine choice, but that the authorities had failed to take the opportunity.

"As to the question of whether to take part, we must give an unequivocal 'no.' Society should not take part in an undertaking of a solely propaganda nature," it said.

The statement followed a meeting of activists from around the country in Gdansk on Sunday night.

The reorganization announced by Solidarity consolidated a fragmented leadership structure that was split between a public "provisional coordinating committee" and an underground wing.

The statement said all the leadership would now be vested in a new national executive commission under Mr Walesa. Eight regional Solidarity leaders were named to the commission and two more will be named, the statement said.

Some lower-level Solidarity activists had complained in recent months that the union lacked a co-ordinated leadership and was losing touch with grass-roots units in factories.

The Government of Polish leader Gen Wojciech Jaruzelski has called for a radical programme of economic reform involving streamlining the government, reducing centralised planning and management of enterprises and allowing market forces to influence prices and wages.

Malaysia to cut debt and sell company stakes

BY WONG SULONG IN KUALA LUMPUR

THE MALAYSIAN Government will prepay Ringgit 5bn (£1.2bn) of its external debt later this year to reduce the heavy burden of debt servicing. It will also sell off its stakes in the national airline and shipping line to Bank Negara, the central bank, to raise revenue to reduce its budget deficit.

These are among some of the measures contained in the 1988 Malaysian budget presented by Mr Daim Zainuddin, the Finance Minister, to parliament on Friday.

The minister said the Government intended to continue with the prepayment exercise into 1990 and this would save an estimated Ringgit 528m in debt servicing.

It is estimated that the Government's external debt (including those of its agencies) declined from Ringgit 43.1bn at the end of 1986 to Ringgit 41.5bn in 1987, while the national debt is expected to decline from Ringgit 50.6bn to Ringgit 49.2bn during the same period.

The Treasury economic report, which accompanied the budget, noted that some of the syndicated market loans obtained between 1983-87 were expensive, bearing interest rates of between 8 and 8.5 per cent. Some of these loans were refinanced through the issue of new floating notes.

The report added that the Government was also taking advantage of the low domestic interst rates to prepay Ringgit 2.4bn of external loans from proceeds from local loans.

It said the Government had been able to contain the nation's debt servicing ratio (DSR) within the 20 per cent limit. The DSR in 1987 was 16.9 per cent, and is expected to be 16.4 per *cent for 1988.*

Observers say the sale of the Government's 52 per cent in Malaysia Airlines and 30 per cent in Malaysian International Shipping Corporation is a convenient way to tap the central bank's large foreign exchange reserves for more urgent purposes. The Government's stake in the two companies was worth Ringgit 2bn at last Friday's closing prices.

However, important policy decisions involving the two companies would still be dictated by the Government through the special one management share held by the Finance Ministry.

Another measure to raise government revenue is the decision to increase oil production from 494,000 barrels a day this year to 540,000 b/d next year.

The Government expects its revenues for 1988 to increase by 20.6 per cent to Ringgit 20.8bn. With expenditure targeted at Ringgit 27.6bn (unchanged), the overall budget deficit will be Ringgit 6.8bn compared with Ringgit 10bn for 1977.

Tamils hang on in their last Jaffna stronghold

BY MERVYN DE SILVA IN COLOMBO

"JAFFNA is now a free city," said Lt Gen Depinder Singh, Commander-in-Chief of the Indian army's southern command. He was announcing that the city had been completely encircled by the 20,000-strong Indian peace-keeping force.

"We are now in control except for a small part of the old city" he said. But the Indian army's problems are not quite over. Though only a square mile in size, the old quarter is a congested area, where some 400 Tamil "Tigers" remain holed up, sworn to defend it to the last man. They have taken a "Black Tiger oath" to die fighting.

The number of civilians in this part of the old town is not known but but the chances are that the streets are land-mined and the buildings booby-trapped.

This much the Indian army has learned the hard way in its 15-day onslaught on Jaffna, as did the Sri Lankan army in its four-year war against the Tigers. Like the Sri Lankan forces, the Indians have lost more men in land-mine explosions than in direct encounters with the Liberation Tigers of Tamil Eelam.

The latest figures given by Maj Gen A S Kalkat, who is directing operations, are 170 dead, including 23 officers, with 362 wounded and 21 believed held prisoner by the Tigers. He added that he thought 670 Tigers had been killed.

Rescuing the refugees, estimated at 30,000, is another challenge.

A new political process can begin now said Lt Gen Singh. His optimism is not shared, however, by President Jayewardene and his cabinet. "With whom?" asked a senior minister.

There are no politicians around, he explained, who would take the risk.

Kuwait asks West to upgrade air defence

By Tony Walker in Kuwait

KUWAIT HAS asked a Western country to help upgrade its air defence system to counter the missile menace from Iran. Requests are believed to have been made to Britain, France and the US.

A representative of the Western government said the Kuwaiti request was being studied, but local defence officials were being told that Kuwait should have the capacity to deal with slow-flying Chinese Silkworm missiles with its own resources.

Kuwait has recently redeployed US supplied Hawk surface-to-air missiles on Failaka Island, about 10 miles offshore. The Hawks are now positioned in the path of the Silkworms which are being fired from the Faw peninsula on Iraqi territory at the head of the Gulf.

The strike last Thursday against Kuwait's Sea Island oil loading terminal demonstrated the vulnerability of its oil installations to Iranian missiles

The Kuwaitis may also have renewed their request for US Stinger shoulder-fired missiles in an effort to give themselves additional means to counter the Silkworms.

Another option for Kuwait is to seek extra help from the Moscow which had been supplying surface-to-air missiles. Kuwait fired one of the Soviet projectiles at an incoming Silkworm which struck an American-owned Liberian flagged tanker in Kuwait harbour on October 15.

A request for help to Moscow would be in keeping with Kuwait's attempts to involve both super powers in its defence.

A Western attache said that one of the problems in discussing air defence measures with the Kuwaitis was the contradiction between a desire to sell equipment and the military assessment that Kuwait has adequate resources.

The attache said that a difficulty facing Kuwait was the lack of highly skilled personnel needed to operate sophisticated anti-missile devices. This was something that could not be solved quickly without the closer involvement of foreign specialists.

Kuwait has been extremely reluctant to involve the US more deeply in its defences fearing this would only increase Iran's displeasure.

Meanwhile, Kuwait has been the focus in recent days of intense diplomatic activity following the Iranian missile attacks.

The path to democracy is littered with obstacles, Maggie Ford reports

Rivalry threatens Seoul reforms

REGIONAL animosities and violent incidents are marring South Korea's progress to democracy, as the country struggles to cope with an outmoded electoral system still suffering from the constraints of an authoritarian regime.

In the past few days public concern has mounted over a number of violent incidents mainly affecting the campaign rallies held by Mr Roh Tae Woo, candidate for the ruling Democratic Justice Party. Police have started to crack down on demonstrators who threw eggs and tear gas at Mr Roh. At the weekend *a rally in his home town of* Taegu, his most successful so far, was disrupted when students threw firebombs and home made tear gas at his motorcade.

A second presidential candidate, Mr Kim Jong Pil, who is standing on the record of the previous authoritarian government of President Park Chung Hee in which he was Prime Minister, also experienced disruption last week when demonstrators tried to tear down a podium where he was due to speak. Mr Kim has asked police not to arrest those responsible.

Concern over the violence is widespread, prompting fears of a hardline crackdown to protect stability. "We are determined to have the election," one Seoul businessman said. "But we are not sure how to stop this violence."

Opposition leaders have strongly urged students and dissidents to stop disrupting ruling party rallies and so far the violence has been fairly minor. But a firebombing of a police box in Seoul last week by students be*longing to a radical group which* wants the overthrow of the Government, rather than elections, added to concern.

Today the nation votes in a referendum on the new constitution agreed by a bipartisan group and approved by the National Assembly earlier this month. The constitution is expected to be approved overwhelmingly, but if voting is dis-

rupted by radical groups, hardliners' suspicion of the democratic process may be strengthened.

Neither of the two main opposition politicians, Mr Kim Dae Jung and Mr Kim Young Sam, has experienced any violence at their campaign rallies, which have attracted hundreds of thousands of enthusiastic but well-behaved supporters in different parts of the country.

But the two politicians have tended to appeal to the regional feeling of voters in their speeches, stirring animosities which have been latent in South Korea for years and adding to worries about the election outcome.

Regional feeling divides the two provinces of Kyongsang in the south-east of the country and Cholla in the south-west. The rivalry has been exacerbated by strong discrimination against the people of Cholla province in favour of those from Kyongsang under both the Park Government and the present regime of President Chun.

Until recently, Cholla had received few of the benefits of the economic boom, either in industrial or social development, and Cholla people complain of discrimination in getting jobs with big companies and winning promotion in the bureaucracy.

The underdevelopment in the province has caused a mass migration of Cholla residents to Seoul and Kyongsang provinces where many have been forced to take the most menial jobs, creating an underclass. Their feelings of resentment were increased by the Kwangju incident in 1980, when an uprising in the Cholla capital to protest against the jailing of Mr Kim Dae Jung and the imposition of martial law was put down by the military, leading to the loss of at least 200 lives.

The Cholla people's anger in turn creates fears among Kyongsang people that should Mr Kim win the election he will not be able to keep his promise not to take revenge for the suffering he and the people of his province have endured. This fear is thought to be particularly strong in some areas of the military, especially in the group of Chun supporters.

Last week a newspaper poll reported that 59 per cent of respondents believed that regional feeling was the biggest issue in the election. Fifty one per cent thought this was a bad thing.

While both politicians are aware of the problems that regionalism is causing, and of the danger of destabilising violence produced by the mass rally system of campaigning, there appears to be little that can be done about it without a government change of heart.

A Western-style modern election, with campaigning done *mainly on television and some* regional indoor meetings could easily be mounted in South Korea, where TV set ownership is at European levels and the population is highly educated and almost 100 per cent literate.

But Mr Roh has failed to make good on his promise last June to introduce freedom of the media. Great strides have been made in the independent newspapers, now free of government interference, but television remains under strict state control. Mr Kim Young Sam last week described the television stations as Mr Roh's "personal advertising media" and public disgust at the bias on both news and feature programmes is clear. Mr Kim Dae Jung, for instance, has appeared in only two television interviews since his civil rights were restored in July.

These problems will in the end be a matter for Mr Roh, who introduced the democratic reforms in June. Since he is most affected by the violence, he may feel that taking the campaign off the streets is desirable. Such *a decision would also enhance* his democratic credentials.

On the other hand, he may calculate that concern about the surge in regional rivalries could work in his favour if voters decide that supporting either Kim is too dangerous for future stability. But allowing the present situation to escalate may be dangerous for democracy too.

OPPOSITION SPLIT CLOSER

On the eve of the national referendum in South Korea to vote on a new democratic constitution, two top opposition leaders moved closer to a split enabling them both to run for president in the election due in December, Maggie Ford writes from Seoul.

Mr Kim Dae Jung, who jointly leads the Reunification Democratic Party with his rival Mr Kim Young Sam, reiterated his view that it was too late to decide on a unified opposition candidate through a party convention. His aides were reported to be preparing to announce a new political party which would hold its convention early next month.

● Police arrested a total of 73 students following a demonstration on Sunday after a rally at one of Seoul's leading universities addressed by the two Kims.

Gulf states fail to blame Iran

By Richard Johns

SAUDI ARABIA and Kuwait failed at a meeting of foreign ministers of the Gulf Co-operation Council at the weekend to obtain a whole-hearted condemnation of Iran for its missile attacks on one of the six member states.

Fears felt by the United Arab Emirates, Qatar and Oman about escalating confrontation with the Islamic Republic were regarded by Western diplomats as accounting for the limp and tortuously phrased communique issued following the *meeting in Riyadh* on Sunday.

The statement issued after a long debate acknowledged that there had been a "dangerous escalation in the region represented by Iranian aggressions against Kuwait". Saudi Arabia signally failed to to obtain a call for UN sanctions against Iran.

Armacost to meet Aquino

By Richard Gourlay in Manila

MR MICHAEL ARMACOST, US Under-Secretary of State, will meet President Corazon Aquino of the Philippines today as part of a visit to top political figures in the government and the opposition.

However, the low-key visit, which is part of a tour including South Korea, Japan, China and Malaysia, coincides with renewed interest in Manila in the role played by US diplomats seen with rebel military officers during a failed coup attempt in August.

Mr Nicholas Platt, the US ambassador, said last week that the military attache seen with rebel leader, Col Gregorio Honasan, was only "doing his job," meaning the observation of key military events as they unfolded.

Sarney faces threat from rightist party

BY IVO DAWNAY IN RIO DE JANEIRO

LEADERS of Brazil's right-wing Liberal Front Party (PFL) are locked in a fierce internal battle over whether to withdraw ministers from President Jose Sarney's increasingly enfeebled administration.

A decision to withdraw would come as a body blow to the President after his Cabinet reshuffle, announced last week, provoked widespread criticism for failing to consolidate his hold on the government.

If the PFL decides to opt for full-blooded opposition, Mr Sarney's so-called national unity government would be entirely dominated by the Democratic Movement Party (PMDB), which also commands a majority in both houses of Congress.

It would also have an impact on Brazil's foreign policy just as delicate negotiations on the country's $115bn debt open and threats of a trade war with the US over barriers to American information technology sales are mounting.

The PMDB, itself an incoherent coalition of interests, is highly influenced by nationalist factions opposed to any compromise over the country's moratorium on $68bn in commercial bank interest payments or the reservation of the informatics market for domestic producers.

The PFL's central directorate is scheduled to meet on Thursday in Brasilia to decide the issue, but it is already deeply split. Senator Marco Maciel, the party leader, is anxious to withdraw into opposition following pressure from grass-roots activists.

They have warned that the PFL faces electoral disaster in next year's municipal elections if it stays linked to an unpopular government. But a faction of Congressmen, led by Mr Antonio Carlos Magalhaes, the Communications Minister, is determined to continue backing President Sarney.

Ironically, a split in the PFL is the exact opposite of what the president intended when he launched his plan for a minimum policy programme in a nationwide television broadcast on October 8. His proposal for a unity government was aimed at provoking a division in the PMDB and thereby creating a centre-right administration in which his influence would increase.

In the event, the PMDB stayed unified and the PFL lapsed into damaging infighting.

This latest humiliating reversal for the president has further enhanced calls for direct presidential elections next year. An alternative scheme, gaining ground in the Constitutional Assembly, is for the introduction of a parliamentary form of government with reduced powers for the president.

Senator Maciel said last week that if the party voted to withdraw from government, he would back direct presidential elections next year. "There is no tradition of parliamentarism in this country," he said. "The people would not understand why they are not voting directly for a prime minister."

Argentine unions call 12-hour general strike

BY TIM COONE IN BUENOS AIRES

THE Argentine trade union movement is once again on the warpath, having papered over its internal differences and announced over the weekend that a 12-hour nationwide general strike was to be organised for November 4.

The General Confederation of Workers ratified the go-ahead for industrial action following a surprise about-turn by one sector of the CGT, which earlier in the week had resigned *en masse* from the confederation's directorate. The dispute had erupted over control of posts within the opposition Peronist party, and which are allocated to trade union representatives.

The dissenting union leaders in the "orthodox" faction of the CGT, headed by Mr Lorenzo Miguel, the metalworkers' leader, decided however to drop their objections to the nominations favouring the other main faction led by Mr Saul Ubaldini, the CGT general secretary, when they realised they had insufficient support within the CGT to force the issue.

Consumer spending slows in US

By Lionel Barber in Washington

US CONSUMER spending slowed in September, the first fall for eight months, despite a strong rise in personal income, the Commerce Department said yesterday.

The 0.5 per cent fall in consumer spending was greater than many analysts had forecast, and it could fall further as a result of last week's stock market crash. Many Americans use the stock market to invest savings.

President Reagan warned the public several times last week that if consumers put off too many purchases of goods - such as refrigerators and cars -they could tip the US economy into recession.

Yesterday's figures revealed a strong 0.7 per cent gain in personal income, up $25bn from August's level. The rise followed a revised 0.6 per cent gain in August, compared with earlier estimates of 0.5 per cent.

Spending fell by $16bn (0.5 per cent) to a seasonally adjusted $3bn in September. Spending rose by 1.7 per cent in August, compared to earlier estimates of 1.5 per cent.

Mr Beryl Sprinkel, outgoing chairman of the President's Council of Economic Advisers, said on US television that the Administration was not worried about a recession.

"But when you lose a half trillion dollars in the market place, this is likely to encourage consumers to spend at a smaller clip."

Contra rebels 'meet Managua primate in NY'

Officials of the Nicaraguan Contra rebels have had a secret meeting in New York with the Roman Catholic Primate of Nicaragua and discussed a ceasefire, the New York Times said yesterday, Reuter reports.

The newspaper said the meeting was significant because Cardinal Miguel Obando y Bravo was regarded as someone who might be able to find a ceasefire formula by the November 7 deadline imposed by a new regional peace treaty.

The New York Times said Contra and US officials refused to give details of the meeting.

Plans for educating Mikhail take nosedive

BY LIONEL BARBER IN WASHINGTON

PRESIDENT Reagan has never made a secret of his desire to play host to Mr Mikhail Gorbachev, the Soviet leader, and on Thursday night he gave full rein to his imagination.

Yes, he confided to reporters camped at the White House for their first presidential news conference in Washington for seven months, he had thought about inviting Mr Gorbachev to California. He knew a little about the Soviet-style beach home, and he thought "it would be kinda nice to invite him to up to our 1,500 ft adobe shack built in 1872 and let him see how a capitalist spends his holidays."

Educating Mikhail has been an enduring theme of the late years of the Reagan presidency. It began with Mr Reagan delivering an American history lesson at their first meeting in late 1985 in Geneva. It survived last year's glitsch at Reykjavik, and this year was due to peak with a Washington summit followed by a whistle stop tour of the US by Mr Gorbachev who would be given empirical evidence that capitalism works.

Whether Mr Gorbachev would ever have allowed himself to be so manipulated is open to question. But now the prospect of a Gorbachev visit has faded, and the Reagan Administration's disappointment is palpable.

The bad news from Moscow came at the end of one of the blackest weeks of the Reagan presidency: a record stock market crash, the humiliating, if expected defeat in the US Senate of Mr Reagan's Supreme Court nominee, Judge Robert Bork, and finally the breast cancer surgery on the First Lady, Nancy, on whom Mr Reagan, 76, so relies.

Mr Mikhail Gorbachev

Mr Gorbachev may have decided to take full advantage of these tribulations when he backed away from an earlier written commitment to attend a treaty-signing summit. But he may also have sensed that the White House was panting a little too hard for a telegenic summit at which the screen-conscious Mr Reagan would undoubtedly excel.

When Mr Howard Baker, the former Republican Senate Majority leader from Tennessee, took over as White House chief of staff this year, he made clear he had set two goals to enable the President to recover from the Iran-Contra scandal: a budget deficit cutting deal and an arms control pact with the Soviets eliminating medium range missiles.

If successful, Mr Baker would go down as the man who salvaged the Presidency. Equally important, he and the President would build an attractive platform for the Republican challenger in the 1988 Presidential election based on the twin themes of peace and prosperity.

Last week's events appear to undermine the strategy. But it would be wrong to over-estimate the damage wrought by Mr Gorbachev's last-minute switch of mind.

President Reagan was never going to agree to a summit in Washington at any price. The notion that he may at this stage agree to major concessions on the US Strategic Defence Initiative (SDI), the space based anti-missile system, is even more far-fetched. Mr Reagan's legacy in history - so often mentioned as a key factor in White House thinking - is less determined by an INF arms deal than a desire to protect and develop the SDI programme.

The commitment to SDI will scarcely diminish because of Mr Gorbachev's opposition. If anything, it will strengthen Mr Reagan's resolve because it shows that he has one card in his hand which the Soviets fear.

Viewed from Washington, Mr Gorbachev may also have misread the degree of conflict and confusion in the Administration's dealings with the Democratic majority in Congress. While it is true that the US Senate is attempting to restrict Mr Reagan's ability to research, test and develop the SDI system as permitted under the 1972 ABM Treaty, it does not follow that Democrats are aligned with the Soviets on SDI.

Many Democrat lawmakers also buck at pressure from the Soviets on a weakened US President, and are more likely, at least temporarily, to rally round the Administration.

Mr Reagan is down, but by no means out. His officials - led by Mr George Shultz - are adamant they will not give more ground just for the sake of a summit. The much-touted image of Mr Gorbachev riding horses round Rancho del Cielo was at the very least fanciful: Mr Gorbachev's 90-day absence late this summer showed a preference for the Black Sea.

Joseph Mann reports on a political contest already hotting up for next year's election

Venezuela resumes quest for a president

LIKE A political carousel that never stops turning, Venezuela's presidential contest is picking up speed as next year's election approaches. The country's two main political parties, the ruling Democratic Action and the Social Christian Party (Copei) have run prolonged, costly and bitter internal campaigns to decide on their presidential candidates.

Spirited political campaigning in Latin American democracies is nothing new, but in Venezuela the quest for the presidency never ends. Only days after Mr Jaime Lusinchi, the incumbent Democratic Action President, was elected to a five-year term at the end of 1983, members of his party were actively discussing who would be the candidate next time around.

Since then, presidential hopefuls in Venezuela's two main parties have been drumming up support among the party faithful despite efforts by responsible political leaders and electoral authorities to limit the period for "pre-presidential" campaigns.

For many months, Venezuelans have been bombarded with daily news reports on the candidates, television and radio interviews, testimonials, rallies and verbal duels. With voters choosing a new president, national congress and state legislatures next year, the pace is accelerating.

Mr Lusinchi, an obstetrician turned politician, won a landslide victory over Copei's Mr Rafael Caldera, a former president, in the 1983 election. Mr Lusinchi, who leaves office in February 1989, obtained more than 56 per cent of the votes cast compared with almost 35 per cent for Mr Caldera. Democratic Action also won a strong majority in the national congress and 20 state legislatures. Since Venezuela's last dictator was ousted in 1958, there have been six presidential elections.

Democratic Action has held the presidency four times and Copei twice, last time from 1979-84. A social democratic party and the country's largest political organisation, it chose its presidential standard bearer on October 11, after a fierce internal campaign that raised a real threat of division.

Mr Carlos Andres Perez Rodriguez, a charismatic 65-year-old who was president during the oil boom years of 1974-79, won the primary race, beating Mr Octavio Lepage, the 64-year-old former interior minister and longtime party heavyweight.

Mr Perez, revealed by the polls to be the most popular political figure in Venezuela today, overcame heavy internal

Lusinchi: failed to inspire private investors

oppositon to his candidacy and secured his victory through the support of key labour leaders. The populist Mr Perez approved huge spending and borrowing progammes during his presidency and nationalised foreign petroleum and iron ore mining companies.

His administration has been criticised for wild spending, waste and corruption, but Mr Perez is also credited with advancing important projects in aluminium, steel, hydroelectric power and petroleum.

Copei, Venezuela's Christian Democrats, are the country's main opposition group and second-largest party. Two Copei leaders are fighting it out for the candidacy: Mr Rafael Caldera, now 71, one of the party's founders and former president from 1969-74, and Mr Eduardo Fernandez, aged 47, the party's secretary general and for many years a Caldera protege.

Both Mr Caldera and Mr Fernandez have vigorously attacked the Lusinchi administration, at the same time touting their own leadership qualities and directing jibes at each other. Mr Caldera stresses his experience and honesty. Mr Fernandez - referring indirectly to Mr Caldera's record as Copei's perennial presidential candidate (he first ran for the presidency in the 1940s) - offers the country a "change and new development models." Delegates representing Copei's membership will decide on a candidate on November 21.

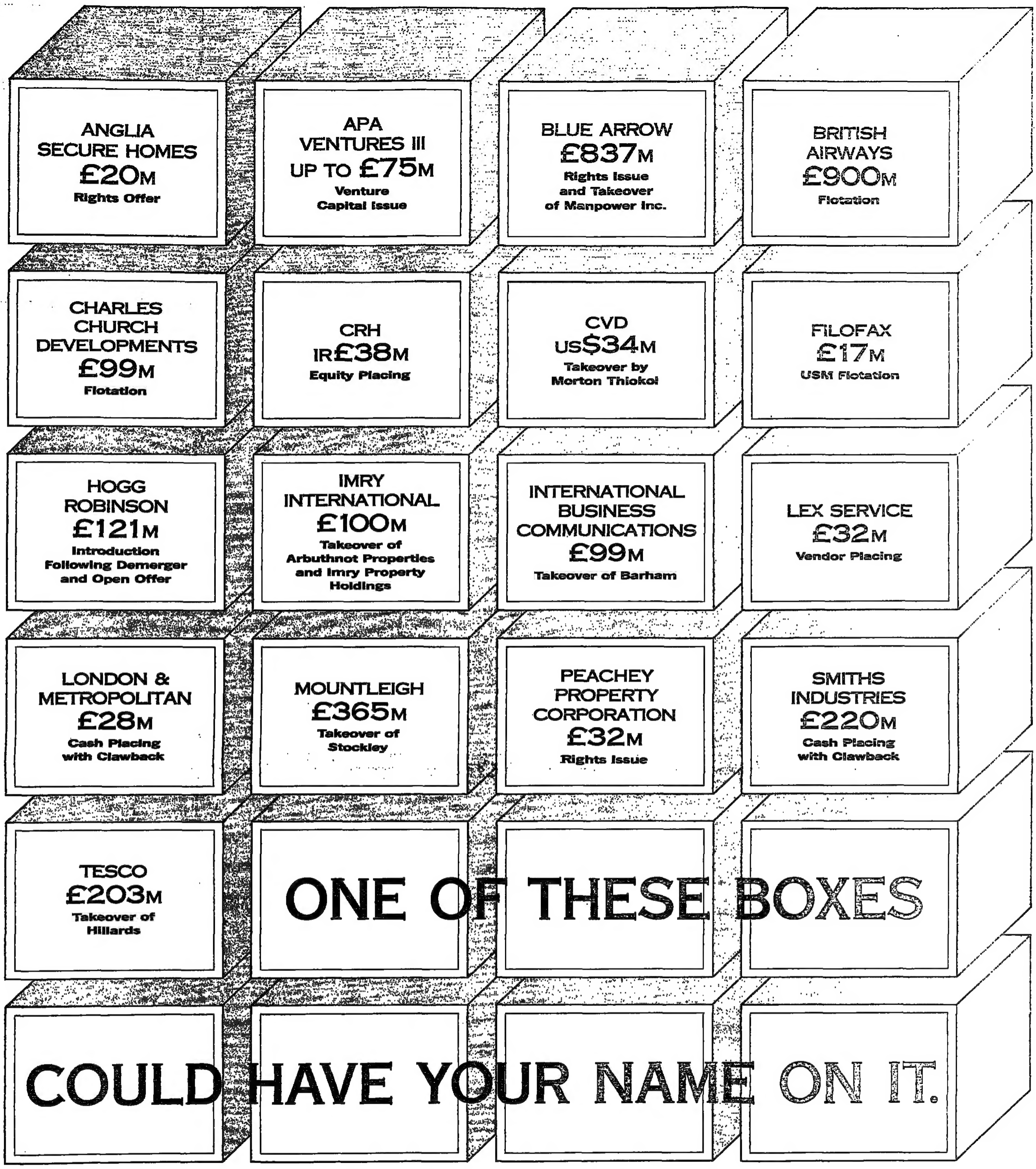
By law, both ex-presidents had to wait 10 years after leaving office before seeking the presidency again.

Movement Towards Socialism (MAS), Venezuela's moderate socialist party, has chosen Mr Teodoro Petkoff as its presidential candidate for 1988. Mr Petkoff, who was the MAS candidate in the 1983 election, is a former guerrilla leader who for many years has worked peacefully within Venezuela's democratic system as a congressman.

So far Venezuela's extended and tedious "pre-campaign" has been long on personalities and short on ideology or specific programmes. The main issues have been the Lusinchi administration's performance (especially its mixed results in economic policy), inflation, unemployment, foreign debt, election reform, goverment inefficiency and relations with Colombia.

The Lusinchi administration pulled the economy out of several years of recession in 1985, straightened out most of its internal and external accounts and advanced a number of important national projects. But the regime has not been able to restore widespread confidence among private investors

While it is still far from clear who the winner will be in 1988, it is obvious that the two main parties will continue to dominate the system



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EC puts farm trade plan on GATT table

BY WILLIAM DULLFORCE IN GENEVA

THE EUROPEAN Community yesterday presented a two-stage programme for the reform of world trade in farm products to the group negotiating on agriculture in GATT's Uruguay Round.

It called for emergency action, including pricing agreements among big exporters, to ease tensions on cereals, sugar and dairy markets. The EC also proposed that GATT countries in a second stage undertake a "significant concerted reduction" in overall farm supports.

But its programme fell far short of the sweeping proposals for the elimination of all production and export subsidies in 10 years, tabled by the US in July, and by the 13-nation Cairns Group last week.

Mr Legras, the EC Commission's Director-General for Agriculture, emphasised the EC 12 could *not* agree to abolish all farm supports. The Community would also have to retain the double pricing which keeps the prices paid to its farmers higher than its export prices.

Some protection for the domestic market was needed to preserve the EC Common Agricultural Policy, Mr Legras said. But he conceded EC had to move towards a new system in which farmers' income would derive partly from direct aids rather than price supports. Negotiations in GATT, the EC proposed, should lead to a phased reduction of farm supports in the main commodity sectors to be effective in two stages.

The first, which would leave existing national policies intact, would include measures to improve the current market situation for key products. International stocks of cereals and sugar are now roughly double the annual trade volumes and cereal prices are at their lowest.

Big exporting countries should undertake to observe "price discipline" for cereals and "corresponding arrangements" for cereal subsitutes, the EC suggested. Pricing agreements intending to put an end to the export subsidies war in cereals markets, would entail some form of market sharing, Mr Legras acknowledged.

Other emergency measures proposed by the EC included agreements to reduce the quantities of sugar put on the world market and to maintain present access levels for sugar to import markets.

Under the second stage of the EC plan, countries would substantially reduce production incentives to farmers that were "out of line with what the markets were able to absorb."

Kevin Brown reports on incentives for shipping to join Panama's open register

Panama fleet adopts a fighting strategy

SHIPOWNERS AROUND the world will have been wondering this month how far the Republic of Panama is prepared to go to maintain the rapid growth achieved by its "open register" shipping fleet in the last decade.

Two weeks ago Secnaves, the Panamanian maritime directorate, announced the extension of measures introduced last year to improve the register's image and cut the cost of joining.

But this may not be the end of the incentives on offer. Secnaves is understood to be considering further measures to defend its market share.

What Panama decides to do will have a big impact on open registers generally and on the future of a new breed of "offshore" competitors springing up in Europe.

The open registers - so called because they are open to allshipowners without the inconvenience of establishing an office in the country of registry - have expanded rapidly since the 1960s as owners have sought to cut costs in the face of difficult trading conditions.

They offer cheaper registration fees than their more traditional competitors, together with looser crewing requirements for which they have been roundly and repeatedly condemned by seamen's unions.

The main beneficiaries have been Liberia, which has a largely US-owned fleet, and Panama, which has attracted mainly Japanese and European vessels, notably from Norway.

According to figures produced by Lloyd's Register, which excludes ships of less than 100 gross tonnes, most of the early growth went to the Liberian fleet, which grew from 772,000 gross tonnes in 1948 to 81.5m in 1979, before falling back to 52.6m at the end of last year.

Latterly, Panama has led the way, with an increase from 6.2m tonnes in 1971 to 41.3m tonnes last year. Most of this growth has been since 1977, when the fleet stood at 19.5m tonnnes.

The traditional maritime fleets reflect this growth in mirror image. The Norwegian fleet, for instance, was down to 9.2m gross tonnes last year from a peak of 27.9m tonnes in 1976, while the UK fleet fell to little more than 11m tonnes from more than 33m tonnes in 1975. Both have declined further this year.

Europe is beginning to fight back, however. "Offshore" registers which offer many of the benefits of open registry together with the retention of a traditional maritime flag, are being set up or expanded by several countries.

These include the Isle of Man, part of the UK register, the Norwegian International Register, and putative competitors in France, Denmark and Luxembourg. The latter is not deterred by the lack of a coastline from seeking to supply its flag to Belgian shipping.

Liberia and Panama also face a threat from less well-established open registers such as Cyprus, which is attracting West German and Greek tonnage, and the Bahamas, which is increasingly popular with US owners.

Both these fleets expanded by more than 2m gross tonnes in 1986, and both are up substantially since 1980 - Cyprus from 2.1m gross tonnes to 10.6m, and

Hector Alexander, Panama's Finance Minister: more initiatives being considered

the Bahamas from 87,000 tonnes to 6m.

It was against this background that the two established open registers took action last year to protect their share of the market.

Liberia introduced registration discounts of up to 22.5 per cent for most ships last year (33 per cent for fleets of 1m net tonnes or more) and claims a modest increase of some 500,000 gross tonnes as a result.

Panama announced the introduction of examinations for officers and ratings, and stepped up inspections of older ships in an attempt to reduce the register's casualty rate.

The principal initiative, however, was a registration discount of 30 per cent for ships of 75,000 gross tonnes and above, equivalent to a cash rebate of at least $15,000 per ship.

The Panamanian authorities believe this has had immediate beneficial effects, although comparisons are difficult because figures produced by Secnaves include ships of less than 100 gross tonnes and are therefore not strictly comparable with Lloyd's figures.

On this basis, however, Dr Hugo Torrijos, director-general of Secnaves, says the fleet has increased by 3.3m gross tonnes to 60m gross tonnes in the first 10 months of this year, half of which is attributable to the discount.

He was sufficiently encouraged to announce last week that the scheme would be extended to all ships joining the register, regardless of size.

In addition, Dr Torrijos said he was considering a further incentive for owners of ships of more than 75,000 gross tonnes, which would allow them to stage their registration fees over 12 months.

This would amount to a significant concession to owners of large ships, since fees for a very large crude oil carrier can exceed $200,000.

These initiatives are relatively minor, however, compared to those which were pressed on Dr Torrijos and Mr Hector Alexander, Panama's Finance Minister, in Geneva earlier this month during a gathering of Panamanian consuls from all over Europe.

Among the proposals put forward - which are still under consideration by the authorities - were:

- A cut in the pre-discount basic registration fee for new ships from $1 per net tonne to 50 cents;
- A 50 per cent discount for ships of 50,000 net tonnes or more;
- A 50 per cent reduction in the registration of title tax for ship transfers;
- Reduction or abolition of surcharges for late payment of taxes;
- Waiving of inspection fees for laid-up ships;
- Reform of the accidents levy, which is used to finance casualty inquiries and Panamanian representation at international conferences.

The importance of the shipping register to Panama cannot be overestimated - it is the sixth biggest revenue earner for the Government, providing $40m in direct tax income per year, and is estimated to generate a further $50m worth of business in associated service industries.

Maritime income is of similar importance to Liberia, but Panama's fighting strategy arouses little sympathy with the register's US-based officials, who say they have no plans to compete with rock bottom prices.

Cocom violation 'began in 1974'

By Karen Fossli in Oslo

ILLEGAL Norwegian exports of sensitive data equipment to the Soviet Union, violating Cocom regulations, began in 1974, when they did not involve Toshiba of Japan, said Mr John Bernard Green, a British former director of Kongsberg Trade, the export arm of Norway's state-owned arms maker Kongsberg Vaapenfabrikk (KV) which is accused of breaking Cocom rules.

Recent investigations by Norwegian police authorities aided by the US FBI reveal that KV, Toshiba and six *European* companies, including one in the UK, illegally supplied sophisticated technology for a decade to the Russians.

However, Mr Green said in an interview in the Bergen Times, illegal exports took place more than a decade ago with the full knowledge of the KV president and several other senior KV employees. Mr.Green, who was the first person charged by Norwegian authorities this spring for giving inaccurate information to US and Norwegian investigating officials, said negotiations between KV and Toshiba to collaborate on sales to the Soviet Union began in 1974.

He said that in 1980 the president of Toshiba met KV officials in Norway and by 1981 a deal was signed. The first illegal delivery made by KV and Toshiba to the Soviet Union did not occur until May 1982, Mr Green said, though other illegal deliveries to the Soviet Union were made by KV before that. Mr Green said high ranking KV personnel were, at that time, aware that the delivery was in violation of Cocom regulations and that information to Norwegian trade ministry officials was disguised in order to gain export approval.

It was this contract, he said, which alerted US Cocom officials, who met in Paris in 1981, to the possibility of Cocom violations by Norway, and it was also at this time when other European companies were implicated in the Cocom export violation conspiracy.

The former KV director also said the Russians had requested other "advanced" equipment which KV refused to deliver, and that KV lost "several" contracts because of its refusal to supply this equipment.

Yugoslav joint venture law to boost investment

YUGOSLAVIA is introducing a new joint venture law, which will supersede the existing law and is designed to increase Western investment in the country, **AP reports.**

The main features of the law were outlined in London by Mr C Kovacevic of the Yugoslav Federal Committee for Energy and Industry. He said the changes were under discussion in the Federal Assembly (Parliament), but would not speculate on when - or in what form - the new law might be adopted.

The main aims of the law are to decrease state control, allow foreign partners the same rights as their Yugoslav opposite number and encourage investment by Western businesses in Yugoslavia. It is also designed to promote small and medium-sized business development.

More autonomy is to be given joint venture companies. The government says that, at present, there are too many regulations and that it is necessary to deregulate investment as much as possible.

Another important change is the extension of joint ventures to all sectors of the economy. The only exceptions will be social services, education and insurance. However, in the free *customs zones, insurance and* reinsurance joint ventures will be allowed.

Under the new law, individual Yugoslavs would only be allowed to enter into such contracts by buying securities.

Europe's motor parts industry faces long period of stagnation

BY JOHN GRIFFITHS

FRESH warnings of stagnation, or decline, in some sectors of Western Europe's huge motor replacement parts, accessories and garage equipment sector, have been made after the Automotive Trade Show, a Society of Motor Manufacturers and Traders-backed showcase for the UK motor aftermarket *industry.*

The market for replacement car parts alone - excluding accessories - was worth $17.2bn (£10.4bn) last year in Western Europe, according to a new study from market analysts Frost & Sullivan.*

However, longer product life, service intervals and other quality and reliability factors *mean the market is enjoying on*ly marginal growth. The study estimates it will still be below the $18bn level, at constant 1986 prices, in 1991, which means fiercer competition, nowhere more than in the "fast-fit" replacement parts sector.

A few days before the UK show opened, Mr Tom Farmer's Kwik-Fit Euro organisation announced sharply higher profits and the *imminent addition of* 25 outlets to its 359-strong UK chain of exhaust, tyre and other component fast-fit centres.

According to the Frost & Sullivan study, it is the tyres, exhausts and other fast-moving parts sector whose total turn*over is most constrained by im*proved product life.

By the study's estimate only 0.4 per cent growth can be expected in this area in Europe over the five years to 1991. The implication, given the success of concerns like Kwik-Fit Euro and the Pirelli-owned SMC chain, is that vehicle manufacturer-franchised dealerships and garages are most vulnerable.

**Replacement Markets for Automobile Parts: Can Europe's Independent Producers Survive? Frost & Sullivan, 4, Grosvenor Gardens, London SW1W ODH. $2,700.*

Japanese companies join Australian railway plan

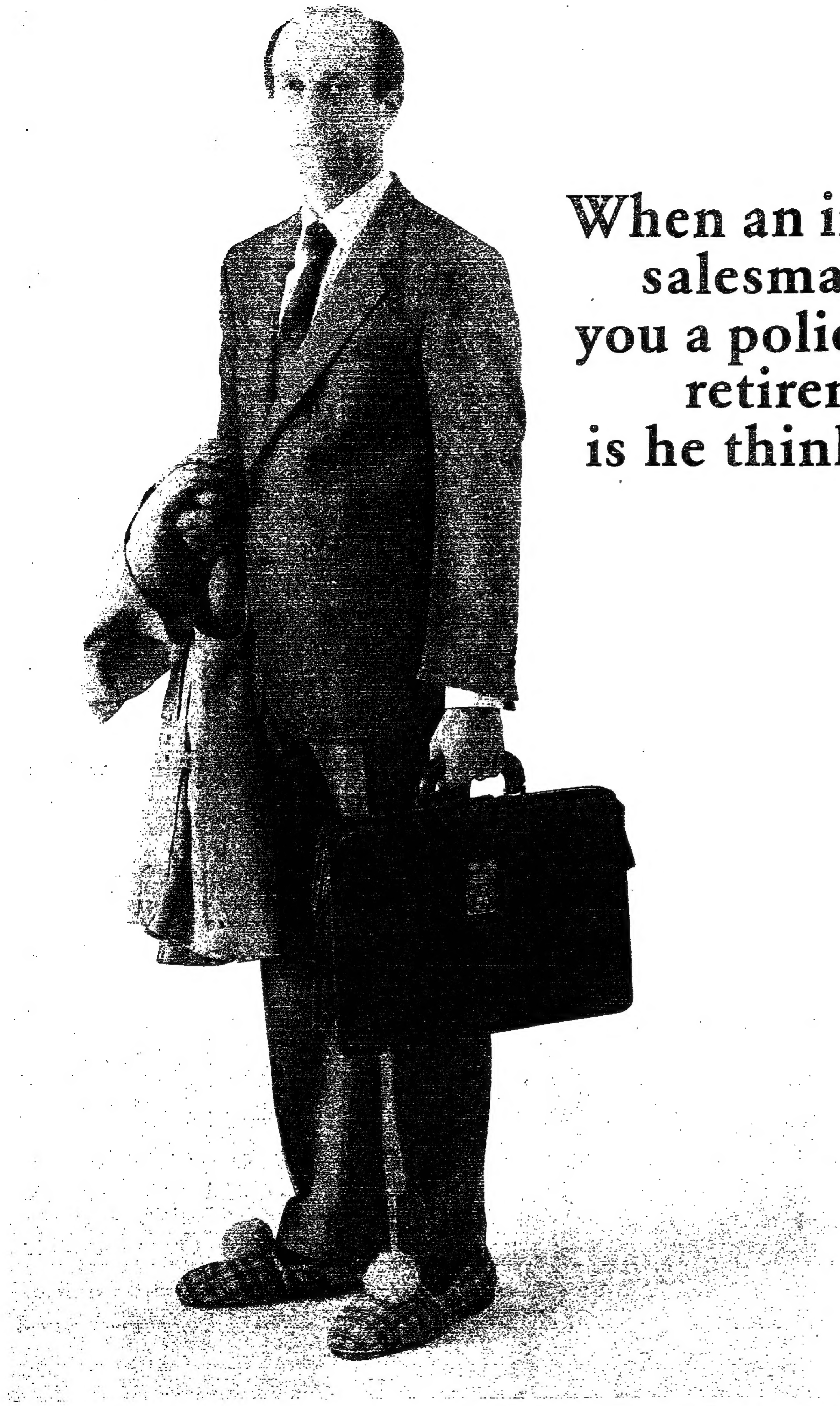
COMPANIES from Japan and Australia will form a joint venture to study the feasibility of building a railway in northern Australia, a spokesman for Kumagai Gumi, one of the companies, said yesterday, Reuter reports from Tokyo.

The Darwin-based joint venture, Rail-North Proprietary Ltd, will study in greater detail a plan proposed last year by Australia's Northern Territory Government, he said.

A spokesman for Japan Railway Technical Service (JARTS), an industry technical support group, said the railway would span the 1,425 km between Alice Springs and Darwin and spur development of the territory's natural resources. Construction could start by 1990, last three to four years and cost some Y60bn ($418m), the JARTS spokesman said.

Japanese computer sales company E and E Co Ltd, Henry and Walker Ltd of Darwin, and the Northern Territory government have agreed to join Kumagai Gumi in the venture.

Japanese companies included The Long-term Credit Bank of Japan, The Bank of Tokyo, The Tokai Bank, C.Itoh and Co, Marubeni, Sumitomo, Toyo Engineering and Ohbayashi. Broken Hill Proprietary of Australia, the Tokyo branch of Australia's Westpac Banking Corp and Freeman Fox International of Hong Kong also were considering participation.



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FT LAW REPORTS

Commercial Court tightens time limits

COMMERCIAL COURT PRACTICE

Queen's Bench Division (Commercial Court): Mr Justice Hirst: October 23, 1987

His Lordship said: "Last term Mr Justice Staughton consulted the City of London Law Society and the London Common Law and Commercial Bar Association concerning proposals for limitation of time for interlocutory hearings, which form such an important part of the Commercial Court's work.

This was supported by the solicitors, but the Bar expressed misgivings. After further consideration, the Commercial Court judges have decided to prescribe stricter control of time limits for a trial period of 12 months encompassing the legal year 1987-88.

Progress will be monitored meantime and any representations will be carefully considered when it comes under review in the summer of 1988.

The efficient working of the system depends on accurate estimates of the time needed for a summons. It is therefore incumbent on counsel and solicitors to take special care in this respect. In future any summons which overruns its estimate will probably be adjourned.

Subject only to the exception specified below, the clerk to the Commercial Court will not accept estimates exceeding the following:

1. Summons to set aside service etc - four hours.
2. Order XIV - four hours.
3. Set aside judgment in default - two hours.
4. Set aside or vary injunction - two hours.
5. Amendment of pleadings - one hour.
6. Further discovery (including interrogatories) - one hour.
7. Further and better particulars - half an hour.
8. Security for costs - half an hour.

These are maxima, not guidelines. Proper estimates in each category will often be much shorter and over-estimating is wasteful, not only of the court's time but also of the opportunity for other litigants to get their summonses heard.

A longer time will only be allocated upon application in writing by counsel to the judge in charge of the Commercial List, or such other judge as he may nominate, specifying the extra time required and the reasons why.

In all cases, whatever their duration, written outlines of submissions (which can be in note form) should be submitted by both parties in advance. In cases estimated for two hours or more, the additional document specified in the Guide to Commercial Court Practice will also be required.

All estimates should be made on the assumption that the judge would have read in advance the affidavits and all written submissions, but not the exhibits.

Although a departure from previous practice, this is only a further small step towards reducing the present unacceptable delays in the Commercial Courts. However, it signifies a determination to continue to enhance our efficiency, though the scope for improvement, particularly in cutting waiting time for the longer trials, is limited by present resources.

Other recent measures to improve efficiency are set out in the guide, and particular attention is drawn to Section X and Annex B, dealing with the requirements for the Summons for Directions. Their purpose is to focus the intention both of practitioners and of the courts at an early stage in the proceedings on steps designed to curtail the duration and expense of the trial, especially through mutual exchanges in advance of information between the parties.

This also tends to promote settlements. In future, the court will be unwilling to hear Summonses for Directions which do not comply with these requirements, and may also impose costs penalties.

It is not always appreciated that this new regime requires not only the exchange of experts' reports but also, in the normal run of case, the exchange of written statements of the oral evidence of intended witnesses of fact, subject, of course, to all proper objections, such as in fraud cases. With this innovation, made possible under the recent enactment of Order 38 Rule 2A, the Commercial Court, together with the Chancery Division and the official referee's court, are breaking new ground in the procedure which should curtail the amount of oral evidence (particularly evidence-in-chief) and also reduce the number of witnesses who eventually need to be called."

By Rachel Davies

Barrister

تكملة من الأصل

Lawson criticises German stance on interest rates

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT

MR NIGEL LAWSON, the Chancellor of the Exchequer, yesterday launched a blunt attack on West Germany's Bundesbank over its reluctance to respond with lower interest rates to the turmoil on world stock markets.

In a speech originally intended to mark the first anniversary today of deregulation in the City of London, the Chancellor also repeated his call for further reductions in the US budget deficit to help restore calm to the markets.

He blamed the US budget and trade deficits and the country's growing foreign indebtedness for triggering the worldwide fall on Wall Street.

Mr Lawson said that the continuing slides in equity prices did not signal that the world economy was fundamentally unsound. In particular, so far as Britain's economy was concerned, it had not been in better health at any time since the war.

He added, however, that it was essential that governments avoided either a lurch into protectionism or "undue monetary tightening." It was this which had turned the stock market slump of 1929 into the great depression of the 1930s.

In a thinly-veiled reference to West Germany's Bundesbank he then said: "I believe that lesson has been widely learned. But it would certainly be helpful if the German monetary authorities were to show more obvious awareness of this."

Mr Nigel Lawson

The comment, which followed the Chancellor's own warnings last week about the need for the leading industrial nations to avoid public disagreements, was seen as underlining the extent of his irritation with the Bundesbank.

A public dispute two weeks ago between the US and West Germany over the same issue is widely thought to have been an important factor in the present crisis of confidence on stock markets.

The Chancellor said that in general, however, cooperation between the major industrial nations was strong and that, with skill, "I believe that we can turn what has happened to positive advantage."

It was encouraging, he said, that President Reagan appeared "fully seized" of the need for further reductions in the US budget deficit.

Mr Lawson said that it was neither unexpected nor in any way unprecedented that there had been a sizeable correction in stock markets. Share prices in London and New York had more or less trebled in real, or inflation-adjusted terms, over the past five years.

It had been the speed of the correction which had attracted attention. This to some extent was probably an inevitable characteristic of today's global markets and modern technology. It was equally likely to have been exaggerated, however, by the fact that it was the first major correction to have occurred since the new markets came into being.

"Clearly, the experience will need to be carefully analysed in tranquillity and lessons drawn. The electronic automation and globalisation of the herd instinct is not an impressive sight," he added.

BT replies to critics on service

By David Thomas

BRITISH TELECOM yesterday published targets for improving the quality of its service, in its most detailed response yet to widespread criticism earlier this year.

Performance targets might be built into the new rules governing BT's price rises to be considered next year by the Office of Telecommunications, the industry's regulatory body.

BT also bowed to pressure from Oftel and consumer groups by resuming twice-yearly publication of performance data. It stopped publishing this information before its privatisation, claiming the figures would be commercially sensitive.

The latest figures show that complaints about deteriorating service following the industrial action by BT engineers this year were well-founded.

The main targets for improvement are:

- By next March, faults interrupting business lines should be cleared within five hours, and those on residential lines within one day.
- Faults which do not interrupt service should be cleared within three days.
- From next April, calls to the operator should be answered within 15 seconds.
- By next March, 90 per cent of callboxes should be working at any one time.
- In 1988-89, all customers should be given appointments for line and equipment installation.

No targets have been set for reducing network faults, but BT said it would do so after more of the new digital exchanges had been installed.

. Oftel, which also issued a report yesterday on BT's quality of service, said complaints about BT had surged 130 per cent between June and September compared with last year.

It is to carry out a joint survey with BT of congestion of the directory inquiries service, because 18 per cent of calls this spring found the service engaged.

Oftel also reported fewer people getting their phones installed in less than a month, widespread dissatisfaction with the way complaints about bills are handled and an increase in the percentage of missed appointments.

In March, according to the Oftel survey, more people (23 per cent) thought BT's service had worsened since privatisation than thought it had improved (8 per cent).

Chairman of Stock Exchange defends Big Bang reforms

BY CLIVE WOLMAN

SIR NICHOLAS Goodison, the London Stock Exchange chairman, yesterday gave a confident defence of the achievements of the Exchange and UK securities industry since the Big Bang reforms were introduced on October 27 last year.

At anniversary conferences for the press and industry Sir Nicholas said there was no evidence that London's new screen-based and telephone dealing system had exacerbated the volatility of the market over the last eight days.

"It is perhaps true that the setbacks were aggravated by so-called program trading in the US - a device which is scarcely used at all in London," he said. "But those who criticise this exchange's price display system, and say that in some cases that caused the setbacks, are talking nonsense."

He said that responsibility for the slump must be placed on leading US politicians. "The market is just the messenger," he said. "Don't shoot the messenger because it brings bad news."

The performance of the London market in handling the onslaught of selling orders compared well with that of other markets, particularly the New York Stock Exchange, where trading had been halted in many stocks, he said. The London market would not be closed, he said, unless "there were severe problems of matching or settlements or some severe financial crisis."

The biggest disappointment since Big Bang, he said, had been the large backlog of unsettled bargains. Stock Exchange officials said, however, that the number of unsettled bargains had been reduced by 15 to 20 per cent since July and August. The threat that trading restrictions would be imposed on the nine firms with the worst settlements record was receding, they suggested.

Sir Nicholas said that as a result of the Big Bang reforms, the Stock Exchange was a much more liquid and visible market with substantially lower dealing costs. A survey just published by the exchange shows that, despite lower commission rates and finer spreads on dealing in equities, gilts and traded options, Stock Exchange firms had been benefitting from a 60 per cent increase in commission revenue because of higher turnover and share prices.

Benefits statement today

BY PETER RIDDELL, POLITICAL EDITOR

THE Government will this afternoon announce the future of the universal child benefit system. This will form part of a statement in the House of Commons on the annual uprating of social security benefits to take effect from next April.

The statement will include details of the new levels of benefit under the terms of the far-reaching review of social security in the last parliament.

New levels of income support for the long-term unemployed and for lowest paid families in work will also be set out.

There has been speculation that the new framework of benefits will involve a reduction in real terms in the value of some benefits, such as child benefit and parts of the housing benefit system.

UK NEWS

Venture capital group launches £35m fund

BY CHARLES BATCHELOR

ECI VENTURES, a venture capital company previously known as Equity Capital for Industry, has set up a £35m fund called ECI International to invest in expanding companies, buy-outs and buy-ins, principally in the UK.

The latest fund takes the value of the ECI portfolio to £110m, of which £50m is available for new investments.

Mr Tony Lorenz, the managing director, said ECI had set out to raise £20m but could have gone as high as £50m if it had accepted all of the offers made by institutions.

The creation of the new fund will allow ECI to make larger investments - of £5m or more - for the first time.

Apart from providing expansion and buy-out funding it will also invest in special situations in quoted companies.

Up to 10 per cent of investments will be outside the UK.

ECI will also take over the management of Innotech, the £4m venture capital fund established by Mr David Sainsbury, thefinance director of the food retailing group.

This is believed to be the first time that the management of a fund has changed hands, although other mergers among smaller funds are expected in the industry.

ECI International consists of three separate mini-funds to achieve the most favourable tax structure for its investors.

There is a limited partnership in the US, a limited partnership in the UK (consisting of the Innotech investments and a further £5m of funds provided by Mr Sainsbury) and a unit trust in Jersey.

Nearly 40 per cent of the funds raised have come from non-UK investors.

Overseas investors include Prudential Corporation of the US, New York Life, Mutual Benefit of New York, Rockefeller & Co and Bever Investments of The Netherlands.

The ECI fund is the 20th venture capital or business expansion scheme fund to be completed this year. It is a year which has set records in terms of the amounts raised by the industry.

In the first nine months of this year £622m were raised, nearly two and a half times the amount raised in the whole of 1986.

Accountant links with insurance brokers

By Richard Waters

HAMPSHIRE accountancy firm Brooking Knowles Lawrence has set up a joint venture with two insurance broking firms. The move presents fresh evidence that the Financial Services Act is driving small firms into the arms of other professionals.

Mounting costs caused by the administrative burden of the act together with an expected fall in commissions has caused concern about the future of small brokers. Until now, few links between brokers and accountants have emerged.

Brokers Anthony Harding and Partners and Holland and Company have a 50 per cent stake in the new company, BKL Financial Services, which claims to offer a full range of pensions, investment, insurance and tax advice.

Mr Tim Jobling, one of two representatives of the accountants on the board of BKL, said: "They were relatively small businesses and could see the paraphernalia of the act causing them an administrative burden."

The new firm will pay a proportion of its commissions to the accounting firm, which will then set this off against the fees it charges its clients.

Raymond Snoddy on the publishing world's growing interest in business information

Magazines press for financial market share

BIG BANG has led to an explosion of glossy magazines targeted at the captains of the financial and investment sector.

This month alone three new magazines have landed on the desks of the top players. The first, Finance, "the new magazine for corporate decision makers," all 130 pages of it, was launched at the beginning of October.

The quarterly magazine, aimed at finance directors of leading British companies and other corporate decision makers, *is* published by SPL Associates, a division of Sterling publishing.

Days later Global Finance, a US publication with offices in New York, Tokyo and London, despatched its first issue to 50,000 "top financial and investment professionals throughout the world."

Before those two magazines had been digested at least some top professionals have received Equity International, "the first monthly magazine devoted to covering the fast-growing cross-border equity market."

Equity International, edited by Mr Peter Shearlock, former City Editor of The Sunday Times, was launched formally at a reception in London last night.

"For a moment in time the interests of issuers, investors and secutities firms have converged: all are looking to an international dimension to their activities. Yet information is often patchy and unreliable," Mr Shearlock says. He adds that the magazine is going to take "a smash and grab approach" and be lots of fun.

All three magazines are "controlled circulation" - free to those deemed desirable by potential advertisers, although the usual plan is to build a growing proportion of paying customers among those not on the magic distribution lists.

The October new publication list follows the recent launches of the weekly paid-for Equities International and the April launch of Global Investor, part of Euromoney Publications, a controlled circulation and paid for publication with a 10,000 circulation and nearly 2,500 paying customers.

The magazines will be competing with established publications such as the "grandad" of the industry, Institutional Investor, which recently celebrated its 20th anniversary, and Euromoney itself.

Yet more controlled circulation financial magazines are on the way. EMAP, the former East Midlands Allied Press, plans to launch RISK before the end of the year. "We are going to specialise in the technical, financial business market rather than be a 'let's jump on the bandwagon magazine'," says Mr *Kenneth Ibbett*, director of corporate strategy at EMAP.

The magazine will be aimed at the heads of investment in insurance companies and pension funds and the treasurers of leading corporations.

To complete the picture Mr Robert Maxwell, publisher of Mirror Group Newspapers, has plans to launch Global Business next year with a controlled international circulation of more than 50,000.

Even before the crash in the stock markets Mr Ibbett was predicting a shake-out in the booming financial publishing sector. How many of the titles born in a bull market can survive a bear market must now be open to question.

Mr Ibbett believes the battle *will be won or lost* on how well each does on "magazine page exposure." This tracks the quality of readers and the time they spend on each page.

But what do potential readers think of these often unsolicited outpourings of the publishing industry?

"Most of the new magazines pass across my desk very quickly indeed. There is plenty of information already," said Mr Archie Cox, managing director of Morgan Stanley International. "I suppose if a magazine provided additional information, or a new slant on things, people would start to look at it."

Stock market turmoil may hit shopping space growth

BY PAUL CHEESERIGHT, PROPERTY CORRESPONDENT

THE SUSTAINED rise in the amount of shopping space in Britain will continue into next year but after that the speed of development could be reduced because of the present gyrations of the stock markets.

Retail property specialists are assessing the financial implications of stock market events against the background of severe pressure on local authority planners for more and more shopping centres, especially big developments away from town centres.

By the end of next month 4.3m sq ft of shopping space in centres of more than 150,000 sq ft will have been opened so far this year, according to calculations by Hillier Parker, a firm of chartered surveyors.

By early next year the total will have risen to 7.8m in 15 months, of which 3.4m sq ft will be in town centres.

Hillier Parker's figures also show that the amount of retail floor space, embracing centres of more than 50,000 sq ft, and hence taking in a wider range of developments, was 4.7m sq ft in 1986 and 2.14m sq ft in 1975.

Funds for property developments, including retail ventures, which apart from City offices have been a favoured destination.

The financial institutions have put up some 7 per cent in recent years. The stock market, through such means as equity issues and convertible loan stocks, has put up 23 per cent and the banks have put up 70 per cent.

Reflecting a growing consensus in the property industry, Dr Russell Schiller, the head of Hillier Parker Research said that as prices moved savagely on the Stock Exchange "the funding of property through the stock market will stop dead."

Swindon office park would cost £250m

BY OUR PROPERTY CORRESPONDENT

PERMISSION for a £250m campus office park beside the M4 on the eastern side of Swindon, Wiltshire, is being sought by two private London property companies.

It is the first large property development plan to be announced since the turmoil started on the stock market last week and has its roots in the continued demand for space west of London and seeks to attract companies which are either seeking to relocate from the capital or are expanding in the Thames Valley area.

Gablecross Properties and Abbcott Projects yesterday unveiled their plans for 2m sq ft of office accommodation, a 150-bedroom hotel, a country club and a golf course on 400 acres. They have formed a 50-50 joint venture called Coate Water Park.

Commercial use would be made of 80 acres of the site and the rest would be parkland placed under the control of Thamesdown council.

National Employers Mutual General Insurance Association, which started to move out of central London to Swindon in 1980 and is seeking additional space, plans to take 140,000 sq ft of offices. The hotel would be taken by Copthorne Hotels, a British Caledonian subsidiary.

Development would be phased over up to 10 years. Initial designs provide for 20 office units ranging between 50,000 sq ft and 400,000 sq ft.

Five largest *supermarkets* have 50% of grocery sales

BY LISA WOOD

THE FIVE biggest supermarket chains control more than half of all grocery sales and their market share is continuing to grow, according to a report from the Institute of Grocery Distribution.

Sainsbury, Tesco, Dee, Argyll and Asda control 52 per cent of the £32bn food market, says Food Retailing 1987, the institute's annual report.

"All are increasingly providing higher levels of customer service, anticipating that in the 1990s, service will be the major factor in deciding customer choice of store," it says.

Growth in customer services included the acceptance of credit cards, bag packing, carry-out services and hiring out party utensils.

In the last 10 years the number of grocery shops had declined from 75,000 to 47,000. The report forecasts the continued growth of superstores - those with more than 25,000 sq ft selling space - in spite of some pessimism among industry observers.

In a separate report Mr Paul Smiddy, an analyst with Wood Mackenzie, the stockbroking firm, examines food retailing in what he calls "limited range" discount stores.

These include Kwik Save, Gateway, a Dee Corporation subsidiary, Lo Cost, a division of Argyll and Victor Value, a division of Bejam.

Their strategies are based on the concept of low operating costs. "This is primarily reflected in low levels of service, and of secondary or tertiary sites with typically *second-hand* buildings," Mr Smiddy says.

The report estimates that some 30 per cent of households with an income of below £100 a week spend about £5.1bn on food.

It forecasts that the limited choice and low level of service format had an excellent future with continuing growth in the *number of* people with incomes below national earnings levels.

Food Retailing. Institute of Grocery Distribution, Grange Lane, Letchmore Heath, Watford, Herts. £160.

Downmarket Retailing. Wood Mackenzie, 100 Wood Street, London EC2. £150.

Chemists urged to adopt better retailing methods

BY LISA WOOD

BETTER retailing skills are a key requirement for traditional chemists, according to a report from Verdict, the market research organisation.

Verdict on Chemists and Drugs Stores defines chemists as retailers which incorporate a pharmacy to dispense prescriptions. Drug stores sell similar goods but do not dispense prescriptions.

Verdict said the NHS provided a solid core of business for chemists but: "The profitability of pharmacy operations has been lowered, the over-the-counter market continues to widen and therefore the chemists' dependence on dispensing is falling. Better retailing skills are a key requirement for the traditional chemist sector."

The sector, with the exception of Boots, which controls 9 per cent of all retail pharmacies, is highly fragmented with more than 11,000 outlets. However, the report says this is changing.

Multiples had found expansion difficult by anything but acquisition but several acquisitive businesses were emerging including Lloyds, based in the Midlands, which recently acquired Billingtons, and Macarthys, which bought the Drummond chain from Guinness.

Verdict said few areas of retailing had shown such rapid growth rates as drug stores with sales growth of over 20 per cent per annum.

Verdict on Chemists and Drug Stores. Verdict, 112 High Holborn, London WC1. £450.

Banks' credit card rates 'too high'

BY WILLIAM COCHRANE

UK BANKS charge higher interest rates on their credit cards than those in any other country and the difference does not seem to be explained fully by any difference in the cost of money in Britain compared with other countries, according to the Consumers' Association.

In evidence to the Monopolies and Mergers Commission's investigation of credit card services, the association says there is virtually no competition on interest rates between banks in the Visa and Access networks and, from the consumers' point of view, little to choose between them on price.

مطابق للأصل

Babcock Power to cut 475 jobs at Renfrew plant

BY JAMES BUXTON AND NICK GARNETT

BABCOCK POWER, the power station boiler manufacturing arm of FKI Babcock, is to shed 475 jobs at its plant at Renfrew, near Glasgow.

This would cut the labour force at Renfrew from about 1,850 at present to under 1,400. Last December Babcock announced 620 redundancies at Renfrew, which then employed 2,570, because of the state of its order book.

The company blamed the latest cuts on delays in finalising some overseas contracts and an unexpectedly long delay in the placing of orders by the Central Electricity Generating Board for coal-fired power stations.

It hopes to achieve the reductions through early retirement and voluntary redundancy.

Mr Tom Heslin, joint staff convenor at Renfrew, said the request for extra lob losses was not unexpected but he claimed the company was "eating into the muscle" of the company's design staff and skilled manual workers by the scale of the redundancies.

Mr Heslin said the company had assured the unions that the job losses had nothing to do with the takeover of Babcock International by FKI in a £417m deal earlier this year.

However, the first repercussions of that merger are beginning to emerge. FKI announced at the weekend 150 job losses at Babcock's large engineering design and sales office in London, which employs 750.

Mr Tony Gartland, FKI Babcock's chief executive, has told colleagues that employment at those offices could be reduced to 350. However, some City analysts believe the whole site will be closed eventually.

At the same time, the headquarters staff of about 50 at the former Babcock International office in the West End of London have been told that their jobs are to go. The headquarters for the combined business is to be based at Sowerby Bridge, near Halifax, the home of FKI.

FKI is expected to announce in about two weeks some elements of the restructuring plan, on which a team of consultants is working. This will involve some site closures and cuts in the combined companies' workforce of 30,000.

A report by Panmure Gordon, FKI's stockbrokers, suggests that the company plans to remove £45m to £50m from Babcock overheads, but the overall restructuring plan will not be finalised until spring next year.

Panmure Gordon, which is one of the groups advising FKI on restructuring, suggests a number of probable changes.

It says Babcock's PED pipework business at Tipton, Staffordshire, will probably be moved to Renfrew. Babcock's two companies manufacturing small industrial boilers - Jenkins at Retford, Notts, and Robey in Lincoln - could be moved to the Oldbury site of Stone Energy Systems, part of Stone International, which FKI also purchased this year.

Contest for King's Cross project

By Paul Cheeseright, Property Correspondent

THE British Rail Property Board is to hold a competition between four teams of property and construction companies to develop 100 acres of land at King's Cross railway station in London.

The teams have been invited to submit design and financial proposals in line with planning guidelines issued by Camden *Borough Council*, which specify a mixed development of office, retail and leisure development.

The four teams are: Rosehaugh Stanhope Developments; Greycoat and P&O; London and Edinburgh Trust, Tarmac and Balfour Beatty; and Speyhawk and Sir Robert McAlpine.

The plans are part of a programme by British Rail Property Board to exploit its central city property assets.

Rosehaugh Stanhope is developing the largest complex of offices in Europe at Liverpool Street station in the City of London, while Greycoat has recently put in place the financing for a development at Charing Cross in the West End.

This activity has prompted increasing interest from developers, forcing the Property Board into holding competitions for new developments.

Nick Garnett on the restructuring of an engineering industry

TI joins the machine tool reshuffle

THE SALE of TI Machine Tools, confirmed yesterday, to a specially created company which is backed by Iraqi financing and 20 per cent owned by existing TI managers, is a further chapter in the recent and dramatic restructuring of the machine tool industry.

About two dozen machine tool builders have changed hands this decade, but more than half of this structural shift in ownership has occurred in the past 18 months.

In the past couple of months alone, the 600 Group has sold its Somerset-based Edwards sheet metal forming machinery company to Beyeler of Switzerland and DeVlieg, which has a site at Lutterworth, Leicestershire, finds itself in new hands following an investor buy-out in the US.

Three trends are emerging from this realignment which has affected some of the biggest names in the industry.

The hold of the larger corporate groups which bought into the industry during the late 1950s and 1960s and whose operating cultures were partly blamed for the industry's decline has been substantially weakened.

TI has now followed Staveley in abandoning the machine tool sector and Textron of the US, which owned two companies in the UK, did the same at the end of last year.

There have also been a clutch of buy-outs by managers and investors, reinforcing the trend towards smaller companies similar to the immediate post war era when the industry was dominated by family-owned firms.

Finally, the Americans have continued to retreat in the UK. Apart from Textron, White Consolidated's site in Birmingham had the plug pulled by White's new parent, Electrolux of Sweden, and was sold to its management.

Cincinnati remains in Birmingham as a substantial producer of machine tools but it has been rationalising and recently closed its other main UK site.

The one change in the opposite direction was the announcement last month that Warner and Swasey, part of the US Cross and Trecker group, will begin a very small machine assembly operation in Telford. Warner abandoned the UK as a production base when it closed its Halifax factory in 1982.

The UK machine tool industry employs about 32,000 people and its production totalled $930m (£560m) last year. The French machine tool industry, which is weaker than that of the UK has also been going through fundamental ownership restructuring which has seen the emergence of five Japanese machine tool groups.

The three main West European machine tool powers, West Germany, Italy and Switzerland have not witnessed any significant restructuring, but a few companies have changed their ownership profile.

Some of the larger groups are still a force in the UK. KTM, the Brighton-based systems company, is part of Vickers, while Butler Newall is part of the B. Elliott group. Ketlon, one of the Berisford companies, acquired Wickman Machine Tools (now Wickman Bennett) in 1984 and was on the point of buying TI's machine tool operations two years ago at a rumoured price of £9m but the deal fell through.

The 600 Group, with its Colchester and Harrison lathe companies remains the largest machine tool group in the UK.

The changes since 1980 though have been fundamental. After selling off to their managers both Kearns-Richards and Asquith in the early 1980's, Staveley completed its departure from the machine tool business this year by selling Lapointe, the broaching machinery maker, to Marbaix.

Apart from Edwards, the 600 group has this year sold its W E Sykes business, the UK's sole-remaining maker of gear-shaping machines, to PGM Ballscrews, part of the Irish Silver Mines Group.

Shipbuilder issues redundancy warning

By James Buxton, Scottish Correspondent

YARROW SHIPBUILDERS, a subsidiary of General Electric Company, which builds warships at Scotstoun, Glasgow, warned yesterday that it urgently needed new contracts if it is to avoid significant redundancies by the middle of next year.

Yarrow, which employs more than 4,000 people, says it is the largest private employer in Scotland.

The company said it was imperative that it win a contract to build Type 23 frigates.

Mr George Younger, Defence Secretary, committed the Government to ordering four such frigates during this month's Conservative Party conference.

Mr Younger did not specify which yards would get orders. Yarrow is likely to face competition from Swan Hunter, Cammell-Laird and Vosper.

Yarrow said it was still in discussion with Pakistan and other countries for the sale of Type 23 frigates and their variants, but said that no contracts had been signed.

The company has just begun final sea trials of HMS Cornwall, the first of the Batch Three Type 22 frigates, which with HMS Cumberland is due for delivery in 1988.

Training board backs down on monitoring plan

BY CHARLES LEADBEATER

THE Engineering Industry Training Board has backed away from plans to tighten its monitoring of company programmes in the face of strong opposition from large concerns.

The board is to set up a working party to draw up proposals to modify the system under which companies are exempt from paying levies because their training programmes meet set criteria. Proposals will be put to the board's meeting in December.

The board covers 30,000 companies with about 2m employees. It initially proposed three options for reforming training: a revised levy-exemption system, the introduction of a system of levies and grants, and replacement of exemptions with a non-returnable levy which would have funded training directed by the board.

Earlier this year the board proposed a modification of levy exemptions which would have required companies to meet set ratios of training for groups of workers in order to qualify.

The proposals ran into opposition from large companies including Austin Rover, Dowty, Ford, Lucas, and Vickers.

Universities given biotechnology grant

BY DAVID FISHLOCK, SCIENCE EDITOR

NATIONAL centres of biochemical engineering are being set up at Birmingham University and University College, London, with the help of a £3.5m investment by the biotechnology directorate of the Government's Science and Engineering Research Council.

The investment will support a four-year programme in research and training in the phase between laboratory processes and industrial operations in biotechnology. The centres are also intended to co-operate closely with industry.

Dr Geoffrey Potter, head of the biotechnology directorate, said that although the two centres were not officially among the university research centres planned by the Government, the mechanisms by which they were chosen from 21 submissions were similar.

He forecast that two more biochemical engineering centres which his directorate hopes will be funded could be part of the programme of university research centres.

His directorate spends about £3.5m a year on research grants and a further £1m a year on studentships.

Additional income for the research centres is expected to come from industry and will be matched by grants from the Department of Trade and Industry.

Dr Colin Thomas of University College, which receives £1.9m, said the college was already working with Unilever on the biochemical transformation of plant oils and fats into high-grade fats.

London University is planning an advanced centre of biochemical engineering close to two leading London hospitals, University College Hospital and the Middlesex Hospital, by the early 1990s.

Birmingham University, which receives £1.6m, has already obtained £1.2m from the University Grants Committee to refurbish and extend its biochemical engineering centre.

The university planned to spend half its new earmarked grant on re-equipping the centre over the next 18 months, said Mr Nick Emery, its director. He said the investment would be judged by the centre's success in attracting money from industry.

It has also persuaded RTZ Chemicals to endow a new chair of biochemical engineering, with a gift of £25,000 a year for four years initially.

Dr Potter said the directorate's grant to each centre would be reviewed after two years, with the intention of extending it for four years as a token of its faith in making long-term commitments to biochemical engineering.

Engineers volunteer for nuclear emergency work

BY DAVID FISHLOCK

ONE HUNDRED Fellows of the Royal Society of the Fellowship of Engineering, all aged over 65, have volunteered to help survey conditions after a serious nuclear accident or nuclear weapon explosion.

They want to be included in government emergency planning for any significant release of radiation, Professor Sir Frederick Warner told the Institute of Actuaries last night.

Sir Frederick was speaking on public and professional attitudes to risk in the annual Alfred Watson Memorial Lecture. A chemical engineer and visiting professor at Essex University, he was chairman of a 1983 Royal Society study of risk.

After the Chernobyl nuclear reactor explosion last year he began to recruit a corps of volunteers with technical expertise and of an age when brief exposure to relatively high levels of radiation could do little harm.

People over 65 can be exposed relatively safely to one gray of radiation, he believes. By comparison, the 31 who died after Chernobyl were exposed to between two and 10 gray.

Exposure to one gray would cause some self-repairing bone marrow damage and would increase the risk of contracting cancer, but over a period which the volunteers were unlikely to live to see.

There would be a temporary reduction in fertility but no real worry about genetic effects, he said.

He invited actuaries to estimate what additional premium his volunteers might have to pay on their already paid-up life insurance.

Sir Frederick said many political decisions were obliged to attach more weight to public perception of a risk than to its statistical assessment. He cited the Government's decision to lower the level of lead in petrol.

"It will not do to dismiss as irrational this disparity between assessments of risk and perceptions of those risks by people exposed to them. And it will not do to suppose that the disparity can be resolved by education."

The challenge for the decision-maker was to create an acceptable policy in light of the disparity. Underwriters were one class of experts who had successfully met this challenge.

Space efforts 'hindered by policy failings'

BY PETER MARSH

THE UK has had a fragmented approach to space policy that has hindered efforts to gain technological and political advantages, according to a report from the Royal Institute of International Affairs.

It says that, in contrast to other European nations such as France and West Germany, the UK has considered space activities in a badly co-ordinated way that has emphasised purely their scientific nature and failed to take into account foreign-policy dimensions.

The report, which comes two weeks before the UK decides whether to join an expanded European space programme, says Britain should increase its annual spending of £116m on civilian science and technology.

"To be credible with a depth of expertise, a sound industrial base and the ability to deploy effective international influence requires investment well beyond current levels," the institute says.

In recent weeks Mr Kenneth Clarke, Trade and Industry Minister, has indicated that the Government is unlikely to increase its commitment to the European programme, which is co-ordinated by the 13-nation European Space Agency.

The final decision will be taken at an ESA ministerial meeting in The Hague on November 9 and 10.

According to the institute, the UK's space industry has for many years suffered from the lack of importance given in Whitehall to space activities, a deficiency only partially resolved by the creation, two years ago, of the British National Space Centre.

This body has only an indirect route to the centre of decision making in the Cabinet, and is considered in Whitehall to be peripheral. UK space programmes, the report says, have "long been imprisoned in a culture and process which militated against the emergence of a strategic view."

The lack of government focus has put UK companies in space activities at a disadvantage compared with European rivals. British space policy has also suffered, according to the institute, from the "marked antithesis" between the European orientation of civilian space programmes, which are organised through ESA, and the US bias of military space projects, in which the UK commonly participates with the Pentagon, in surveillance satellites for example.

According to the report, the Government is mistaken if it considers space funding simply as a choice over financing an area of research and development. "Space has far-reaching implications for British economic modernisation as well as for Britain's foreign and security policies."

British Space Policy and International Co-operation. Royal Institute for International Affairs, 10, St James's Square, London SW1Y 4LE. £6.95.

Architects 'losing work to competing professions'

BY RALPH ATKINS

ARCHITECTS ARE regarded as poor managers and are losing work to competing professions, according to a survey published today.

The study, by the Cities of London and Westminster Society of Architects, was compiled from responses from more than 100 architects' clients. It finds the profession has lost a large share of its market because of weak business skills.

The survey finds that 41 per cent of clients feel that other professions are able to offer an equivalent service to architects

The study, by Property Research Services, calculates that if architects become more involved in preliminary feasibility and project management work they could increase their share of potential fee income by 20 per cent.

The architect in a competitive market. Cities of London and Westminster Society of Architects, 66 Portland Place, London W1. £35.

Stolport traffic 'needs to be built up'

By Michael Donne, Aerospace Correspondent

BRYMON Airways and Eurocity Express, the two airlines which are the first to operate from the £32m London City Stolport which opened in Docklands yesterday, admitted that much work still has to be done to build up the volume of traffic.

Both yesterday began flights to Paris with Eurocity also flying to Brussels.

Although Mr Michael Bishop, chairman of Eurocity, and Mr Charles Stuart, chairman of Brymon, were happy with the first results, it is clear that it will take time for the airport to become a major link between the City and the Continent.

One problem in attracting traffic is likely to be the difficulty of reaching it on public transport.

While chauffeur-driven City executives will find it convenient, most travellers will find getting to and from the airport a struggle.

The Docklands Light Railway does not yet serve it, and the British Rail North London line through Stratford, which connects with the Central Line Tube, and West Ham, which connects with the District Line, has a limited frequency. Even then passengers disembarking at Silvertown must walk several hundred yards.

Efforts have been made by John Mowlem which built and operates the airport, to educate taxi drivers as to its location.

Private car hire is available, however, and together with private cars seems likely to provide the bulk of transport to and from the Stolport until the Docklands Light Railway extension is available in about three years' time or until more taxis are willing to ply there for hire.

Both airlines were, nevertheless, yesterday expressing confidence, in spite of the traumas in financial markets.

It was stressed that the airport will be an integral part of the Docklands for the next 50 to 100 years and that short-term City financial difficulties will have only a temporary, if any, impact upon its long-term traffic growth.

Parallels were being drawn yesterday with Gatwick, which opened more than 30 years ago and was described as a white elephant.

Clive Wolman examines a survey of financial markets since Big Bang

SE firms stock up on earnings

THE STOCK Exchange survey of the quality of its markets since Big Bang, published today but based on information collected before last week's crash, shows that, in spite of substantial cuts in commission rates and dealing turns, Stock Exchange firms have been earning much higher income.

This is a result of the upsurge in turnover during the past year, particularly from small investors. In addition, in the 12 months since Big Bang, the amount of money raised by quoted UK companies has risen to a record £29bn compared with £23bn during 1986 - and 193 companies have been given a listing on the exchange, a 25 per cent increase.

The only black spot revealed in the survey has been an increase in average dealing costs for small investors, mainly as a result of the inability of firms to process cheaply the settlement of small bargains.

The survey, which covered all Stock Exchange member firms, indicates that the total commission income received by firms has increased by 60 per cent since Big Bang. It is now running at an annualised rate of £1.16bn compared with £740m before Big Bang.

In the UK equity market, the value of shares traded with customers (excluding deals between market-makers) in July, August and September averaged £1.1bn per day, approximately double the figure for the same period last year.

The biggest increase in trading came from foreign investors whose share of total trades by value has risen from 10.5 to 20 per cent. The dealing in stocks quoted on the Unlisted Securities Market in the first nine months of 1987 averaged £77m per day, an increase of 240 per cent, in contradiction to fears that trading in smaller company stocks would dry up.

One area which has changed much less than was widely anticipated before Big Bang has been the proportion of deals carried out directly between investors and market-makers, with no commission paid.

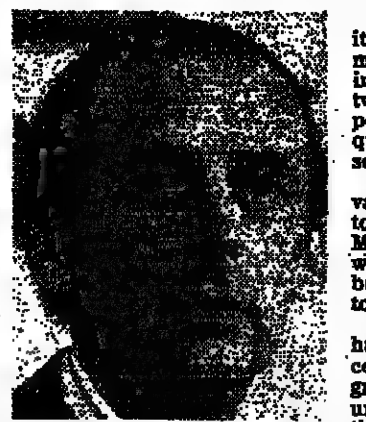
Such "net" deals in recent months have accounted for only 27 per cent of turnover value, although in the immediate aftermath of Big Bang the proportion was more than 50 per cent. The proportion of larger transactions, worth more than £250,000, carried out on a net basis was about 33 per cent.

Commission rates on larger deals with institutional investors have fallen substantially. On transactions of between £20,000 and £50,000 the average rate has fallen from 0.58 to 0.52 per cent (or 0.41 per cent when commission-free net deals are included in the total).

In the £50,000 to £100,000 range the rate has fallen from 0.41 to 0.34 per cent (or 0.28 per cent with net deals) and on deals between £250,000 and £1m, it has fallen from 0.31 to 0.25 per cent (0.17 per cent with net deals).

For bargains above £1m the rate has actually increased from 0.14 per cent to 0.20 per cent, but only 0.12 per cent including net deals. Before Big Bang, there were relatively few deals of more than £1m but now the figure includes many portfolio and basket trades, which barely existed before and on which higher commissions are charged because of their complexity.

However, in smaller bargains the rate of commission has increased substantially from 1.53 to 1.93 per cent for bargains of between £600 and £2,000 and



Sir Nicholas Goodison, chairman of the Stock Exchange

from 1.26 to 1.43 per cent (1.27 per cent including net deals) for bargains between £2,000 and £10,000.

The increase in average commission rates is a result of the withdrawal of low commission, execution-only dealing services earlier this year as a result of the settlements backlog.

As a result, the average commission rate on all UK equity commission-bearing deals has risen slightly since Big Bang from 0.43 to 0.45 per cent but has fallen to 0.33 per cent when net deals are included.

Market-makers' spreads - or touches - between the best buying and selling prices have continued to narrow since Big Bang, at least for the less liquid beta and gamma stocks. They narrowed from 1.82 to 1.58 per cent in September for beta stocks and from 3.37 to 2.68 per cent for gamma stocks. The average touch on alpha stocks has increased from 0.75 to 0.84 per cent, as a result of the higher number of stocks in this category.

In alpha stocks since Big Bang it has been possible to deal in much larger sizes without paying a price penalty. Of deals between 0.5m and 1m shares, 77.6 per cent are transacted at the quoted price appearing on the screens.

In the gilts market, the daily value of transactions with customers reached its peak in March at £2.99bn, compared with a 1986 average of £1.37bn but since then it has fallen back to only £1.75bn in September.

Total commission revenue has fallen by more than 50 per cent, mainly because of the growth of net dealing in medium and long-dated gilts, where the average commission on all deals has slumped from 0.051 to 0.004 per cent and the average bargain size has more than doubled to £970,000.

Small investors now account for 50 per cent of total commission revenue. The average spread between buying and selling prices on institutional transactions has halved to 0.06 per cent.

The most dramatic increase in volume has been in traded options in which more than 50,000 contracts have been traded per day, a 180 per cent increase over the same period last year.

For small bargains, of about £1,000, rates of commission have risen from 2.5 to 3.0 per cent but they have fallen substantially for larger deals. The average rate across the whole market, including net deals, is 0.89 per cent, about half the pre-Big Bang rate.

Small investors now acount for 59 per cent of all the commission revenue in the options market, a surprisingly high figure for a market that is often thought to be dominated by institutional investors.

Seaq system shows 'great improvement'

BY CLIVE WOLMAN

THE PERFORMANCE of the Stock Exchange's computerised and screen-based price quotation system, the failings of which marred the first few weeks of the post-Big Bang stock market, has improved substantially in recent months, according to figures released yesterday.

Last October, the Stock Exchange Automated Quotations system, Seaq, through which the price quotations for listed shares are collected, was out of action for 2.5 per cent of the time. The proportion fell to 1.25 per cent in November and has stayed below 0.5 per cent since last December.

For the past four months, it has achieved almost 100 per cent availability. The average time between failures has improved from 10 to 15 hours last October and November to almost 800 hours last month.

The Topic system, which disseminates the price information on Seaq and displays it on screens used throughout the City, was out of action for 2.7 per cent of the time last October. The proportion fell to about 0.5 per cent in November and December and has improved to virtual 100 per cent availability in September and October. The average time between failures on Topic, which was only 12 hours last October and November, has now improved to 70-110 hours.

The improvements have been achieved despite the daily number of price updates and requests for information from users setting new records almost every month.

The maximum number of price updates in a day last October was 180,000. This rose to 300,000 in August and then shot up to 404,000 last Tuesday as the stock market crashed. The maximum number of requests for information from Topic in a day rose from 3.9m last October to 5.7m in July and then to a record 6.8m last Tuesday.

An opinion poll carried out by NOP seven weeks ago, based on interviews with 156 investment managers and chief dealers in Stock Exchange firms, found that 55 per cent thought that dealing execution had improved since Big Bang.

East Yorks to privatise all hospital portering

By David Brindle

THE East Yorkshire Health Authority has become the first to privatise all its hospital portering in a move designed to save a net £64,000 a year.

The decision comes before expected government advice to health authorities to expand competitive tendering beyond cleaning, laundry and catering.

An unusual aspect of the East Yorkshire privatisation is that porters will be paid above National Health Service wage rates. However, they will be expected to work between 45 and 47 hours a week.

East Yorkshire, which includes Beverley and part of Hull, has awarded the contract for portering on seven sites to Mediguard, part of the Securiguard Group, which has a similar contract at East Birmingham Hospital.

The company is likely to employ between 35 and 45 porters, compared with the current 60 or so. The gross annual saving is expected to be £103,000. This will be reduced to £64,000 for the first three years because of redundancy costs.

Mr Derek Houghton, the authority's personnel manager, said yesterday a porter's overall remuneration would be about the same as at present. Pay rates and overtime would be higher, but holiday entitlement and sickness pay lower.

East Yorkshire is extending competitive tendering beyond the three compulsory services in an effort to make savings to finance a new general hospital.

Portering services have also been privatised at Halton General Hospital on Merseyside. The contract has gone to Mediclean, part of Hawley Group.

● Local authorities with no experience of competitive tendering are being offered a package to help them through the process when it becomes compulsory, writes Richard Evans.

Cipfa Services, an offshoot of the Chartered Institute of Public Finance and Accountancy, and Wandsworth London Borough Council have co-operated to provide the guidance.

The package includes a step by step guide to competitive tendering and detailed advice in five key areas: service specification; selection of companies for tender; bids from the council's direct labour organisation; appraisal of tenders; and default provisions and termination of contracts.

UK NEWS - LABOUR

TUC step in Ford single-union row

BY CHARLES LEADBEATER, LABOUR STAFF

MR NORMAN WILLIS, TUC general secretary, yesterday intervened in the row over the Amalgamated Engineering Union's controversial single-union deal for a components plant to be built by Ford, the US car manufacturer, in Dundee.

Mr Willis invited leaders of all unions at Ford to a meeting to discuss the deal, which threatens to provoke the most serious rift yet within the TUC over a single-union agreement.

The move follows meetings yesterday between Mr Willis, Mr Ron Todd, general secretary of the Transport and General Workers' Union, and Mr Bill Jordan, the AEU president.

Mr Willis' initiative indicates the seriousness with which the TUC views the dispute, which also threatens to disrupt the long-established pattern of multi-union collective bargaining within Ford UK's manufacturing operations.

While it is usual for unions involved in a dispute over bargaining rights to hold an informal meeting with the TUC before invoking the official disputes procedure, it is most unusual for the TUC general secretary to propose such a discussion.

The other unions within Ford, led by the TGWU, the EETPU electricians' union, Tass, the manufacturing union, and ASTMS, the white collar union, will press for the AEU to withdraw from the agreement.

John Gapper adds: A questionnaire is to be sent to all unions affiliated to the TUC as the first move in the organisation's study of single-union deals under the wide-ranging policy review launched by the TUC Congress in September. The first meeting of the policy review committee yesterday decided to seek information from all unions on any agreements of the type which has provoked controversy between left-wingers and unions such as the EETPU electricians and the AEU engineers.

The policy review body will hold a weekend meeting at the beginning of February at which it hopes to hear contributions from industrial relations experts including officials of Acas, the conciliation service.

Attendance bonus 'fails to cut absenteeism'

BY DAVID BRINDLE, LABOUR CORRESPONDENT

FEWER THAN half the employers who operate an attendance bonus scheme believe it reduces worker absence, according to a survey published today.

Just over 12 per cent of those who responded to the survey said they had an attendance bonus scheme. But of them, only 48 per cent said they thought it had been successful in reducing absence among their workforces.

The finding reflects the prevalent view among employers that absence is best tackled by monitoring and counselling, rather than provision of incentives, although some companies believe strongly that incentives can play an important complementary role.

The survey, conducted by the Industrial Society, found the most common cause of absence reduction was "close monitoring", followed by "warning/discipline" and "interviewing/counselling." Of 275 employers, only five specifically cited attendance bonuses.

Publication of the survey comes the day after the CBI published its own study on the issue, concluding that worker absence was costing British business £5bn a year.

The Industrial Society's survey follows a similar exercise two years ago. The mean sickness absence rate is put at 5.05 per cent this time, compared to 4.76 per cent in 1985.

Although the relatively small size of the samples makes such comparisons dubious, 58.9 per cent of the 1987 respondents said their absence rate had not gone down over the past five years.

Absence was found to be lowest in the finance sector and highest in transport and engineering. Regionally, it was found to be lowest in the south-west and highest in the Midlands - in direct contradiction of the CBI survey which named the West Midlands alongside the south-west as the two regions with the lowest rates.

Only 45 per cent of employers said they always questioned absentees on their first day back at work.

Study of Absence Rates and Control Policies; Publications Department, Industrial Society, Peter Runge House, 3 Carlton House Terrace, London SW1Y 5DG; £12.50.

Prison staff to meet today after break in peace talks

BY JOHN GAPPER, LABOUR STAFF

UNION LEADERS representing prison officers are to hold an emergency meeting today after talks aimed at ending the series of local disputes over manning levels broke down last night.

Leaders of the Prison Officers' Association said after meeting Prison Department officials that they had made an offer to try solve a 12-week old dispute at Wandsworth Prison, south London, but it had been rejected.

Mr Douglas Hurd, Home Secretary, warned last week that the governors of prisons where officers were refusing to admit new inmates would start suspending officers without pay this week if they refused to renew normal working.

Mr John Bartell, POA chairman, said last night that Wandsworth officers had been prepared to allow about 250 new inmates into the prison in stages, provided the Home Office agreed to open talks with them on revised manning levels for introduction of the Fresh Start package of new working practices.

Mr Bartell said: 'All I can say for the moment is that in good faith with regard to London we offered an orderly end to the dispute. That has been refused and you can draw your own conclusions.'

The Home Office said that officers at Chelmsford Prison in Essex, the only prison apart from Wandsworth where officers were still refusing to admit new inmates, had called off their industrial action in response to Mr Hurd's warning.

Home Office officials held separate talks yesterday with national officials of the POA and representatives of the union's branch at Wandsworth. The national talks failed to find a solution to differing claims over the number of officers the Home Office promised nationally for the introduction of Fresh Start.

Mr Bartell said: "We found the meeting to be frustrating. In fact the Home Office repeatedly asserted that we appeared to misunderstand the basis on which Fresh Start was agreed."

The POA says that 950 officers were promised for the introduction of Fresh Start, but the Home Office argues that the figure was always the planned 750.

Electricity Council pay forum 'to be retained'

By John Gapper, Labour Staff

THE Electricity Council has told trade unions that it expects national joint pay bargaining to remain in place in the electricity supply industry after privatisation, according to a union leader.

Mr John Lyons, general secretary of the Engineers' and Managers' said he had been told by the Electricity Council that all the electricity boards' existing responsibilities to employees should be transferred unchanged even though the industry could be split up for sale.

He said: "The next step is to test the value of their currency by seeing whether they will take practical steps with the unions to bring about what they and we are now jointly committed to."

Mr Lyons was addressing a special conference of the Electrical Power Engineers' Association - a constituent group of the EMA - at which delegates voted to allow the association's executive to negotiate with the Government to try to protect members' interests.

The Electricity Council said last night that while it hoped that existing collective bargaining arrangements would remain in place, the final decision would be taken by management after privatisation. It stressed that any change would be implemented following negotiations with the industry's unions.

Earlier, Mr Lyons had told the conference that union opposition to the industry being privatised piecemeal was a "non-starter", adding: "We do not think there is the slightest chance of changing the Government's mind on this question."

What the unions had to concentrate on, he said, was maintaining the integrity of the industry's generating and distributing functions and of the functions performed by the Electricity Council.

Mr Lyons forecast that electricity charges would rise by up to 25 per cent over the next three years. This was, he said, because the Government was pressing the industry to increase its rate of return to 6 per cent from the 2.75 per cent required over the past three years.

Pay dispute strike threat at Pilkington glass plants

BY JIMMY BURNS, LABOUR STAFF

PILKINGTON BROTHERS, the world's largest manufacturer of flat and safety glass, faces a potentially damaging pay dispute.

Employees at the company's two floatglass plants at St Helens, Merseyside, are planning a 24-hour strike, with the possibility of further industrial action - including an indefinite strike - unless the company improves a pay offer of 5.4 per cent.

The dispute, which has already sparked selective action in the form of a work to rule, could damage the company's relatively good recent industrial relations record. Last January, Pilkington tapped trade union support in its successful defence against a take-over bid by BTR.

The two plants - Cowley Hill and Greengate - together employ more than 1,200 workers. The plants are responsible for all the company's basic glass production in the UK and are important suppliers to the automotive and construction industries.

The company said yesterday it had made a "good" pay offer which was above the cost of living. It said it was also paying annual productivity-linked bonuses of between £900 and £1,100.

But some union officials said the pay offer reflected neither the company's profits nor the concessions made by the workforce in agreeing since 1980 to redundancies and to a radical shake-up of working practices.

The shake-up has included the introduction of a simplified pay structure

Business Opportunities

READERS ARE RECOMMENDED TO SEEK APPROPRIATE PROFESSIONAL ADVICE BEFORE ENTERING INTO COMMITMENTS

Franchising

MANAGEMENT: Small Business

Aurel

Receiving signals in the vineyards

Alan Friedman on the growth of an electronics company in an Italian wine-growing region

A HIGH-technology small business concern located in the wine-growing hills of central Italy? A tiny company that exports 30 per cent of its L9bn (£4.2m) of hybrid circuits and other components for the electronics industry as well as sophisticated laser-beam machinery used in the manufacture of such circuits?

It may sound improbable, but that is precisely what you will find 40 miles to the south east of Bologna, past the fertile hills of the Emilia Romagna region, an area better known for the cultivation of grapes used in making a delicate red wine than for the manufacture of micro-electronic components and machinery.

Aurel, the company in question, started 20 years ago, as three engineering students from the University of Bologna were spending the summer holidays in their native village of Modigliana (pop. 5,000). The students - who are now the senior executives at Aurel - used to spend their Saturdays in the backroom of a television repair shop experimenting with transistors. As Silvano Valtangoli, who is now 39 years old, recalls: "It was a time of student unrest in Bologna, but I guess we were the conservatives. Instead of throwing bombs at the police and overturning cars we enjoyed doing electronics research."

One day, in 1967, Eugenio Montanari, the owner of a Bologna company that made television aerials, walked into the shop in Modigliana and met the three students. Impressed by their boffin-like attitude, Montanari took them under his wing.

The soft-spoken Montanari, who is 60 years old and started manufacturing aerials in the early 1950s, had a country house in Modigliana, where his wife came from. Montanari's early career included stints as a sales agent in Italy for Philips and a variety of West German and Swiss electronics firms.

"I wanted to create a high-tech business," he remembers. So Montanari invested the equivalent of several thousand dollars in sending the three students on visits to European electronics fairs and companies over a period of 18 months. In 1969, with this unusual education process completed, Montanari founded Aurel with an initial capital injection of just L2m (£1,000 at today's exchange rates) to manufacture low-cost circuits for television signal amplifiers.

The company's first headquarters was an abandoned warehouse "donated" to Montanari by the Christian Democrat mayor of Modigliana.

The "boys" soon moved from television components to Montanari's real objective - the manufacture of ceramic-based hybrid circuits of semiconductors and transistors. The students admit they did not invent anything, but in true Italian fashion they studied thick film technology from the United States and set out to copy it as cheaply as possible.

The story of how they began is nothing short of incredible. Luciano Frassineti - one of the students and now a joint managing director - recalls that the first semi-automatic screen printing machine, "was built by us largely from pistons, cylinders and other parts of an old Fiat 500 that we took apart and cannibalised."

Using cash flow from the television components business, which was supplying Montanari's Bologna company, a furnace was bought (to fire the ceramic-based circuits after printing) for L10m. Then the handful of Aurel employees made the rounds of companies such as GTE, Telettra and Olivetti in order to learn what kind of circuits were in demand. "We went to the companies and proposed ourselves as suppliers of these components and then the component-manufacturing machinery. Based on preliminary orders we went ahead," recounts the 40-year old Frassineti.

(l. to r): Ildebrando Solaroli, Silvano Valtangoli, Luciano Frassineti, Dario Montanari: clients include Olivetti, Selenia and Fiat

By 1970 it was time for a capital injection of L400m, half of which came from Montanari's cash flow at his Bologna company and the other half from subsidised low-interest loans from the regional Mediocredito state bank.

By the mid-1970s Aurel was not only producing its components on its own machinery, but reaching a 50-50 split between the sale of components and the sale of component-making machinery.

To watch these former students stand in front of one of the laser trimmers and explain the way in which the laser beam cuts incisions in the circuit to achieve the desired resistance is to have one's faith in human ingenuity reaffirmed. "It wasn't easy," says Ildebrando Solaroli, the former student who is now sales manager. "We worked day and night for many years, and almost all our weekends. But then we loved it and we still do," he says.

The Aurel executives talk proudly about a visit last month from Ambassador Lunkov, the Soviet ambassador in Rome. "The Russians are interested in everything high-tech, and we sell to them," comments Frassineti.

The company now makes a range of components that are used in the manufacture of pacemakers, land mines, aircraft systems, numerical control and factory automation systems, and more. Their clients include the Olivetti office automation group, the Selenia defence electronics concern, the SIP telephone utility and various subsidiaries of the Fiat group.

The company pays 50 per cent of its earnings in taxes (unusual for many small businesses), is preparing a 1987 consolidated and externally audited balance sheet (even more unusual) and expects a 1987 net profit of around L450m (£210,000) on total sales of L9bn (£4.2m).

Dividends have never been taken, the ownership of Aurel is 88 per cent in the hands of Montanari and 12 per cent among Frassineti, Valtangoli and Solaroli, and the total net debt is around L650m against share capital and reserves of more than twice as much.

The Aurel plant, a mere 2,500 square metres in a converted wool yarn warehouse, employs 90. A further five employees work at Aurel Microdesign, a Bologna computer-aided design workshop. Another 25 staff are based at Varese, north of Milan, producing circuits for digital panel instrumentation and, as of a few weeks ago, a sales agent was installed in a small German town.

Not everyone at Aurel is a workaholic, it seems. The founder's fun-loving son, the tanned and nattily dressed 26-year-old Dario Montanari, says he is about to get more involved in Aurel after spending "five or six months a year for the last five or six years...hanging out on the beach in California."

Previous articles in this series were published on September 15 and 29 and October 13.

Too busy running a business to learn how to do it

BY CHARLES BATCHELOR

WHEN PAUL Hornsey went into business he took the typical entrepreneurial attitude to training. He ignored it.

Now, 12 months on, Reel to Reel, the catering venture which he set up in Fulham, West London, to provide meals for film crews, has notched up £60,000 of turnover and Hornsey feels he needs to know a bit more about the mechanics of running a company.

"I just fell into it, producing food on a small scale, and up to now everything has gone into getting it going," he said, after a day last week spent attending a course on basic accounting at the London Enterprise Agency (LEntA). "Now we are set up I want to understand more about running the business."

Hornsey is now persuaded of the value of training and plans to attend courses; but all too often many small businesspeople regard it as a waste of time.

"This is the most notoriously difficult market to crack," notes LEntA's training manager, Tim Baldwin. "These people are already running to stand still so they have very little time to fill in questionnaires or come on courses."

This assessment is borne out by the statistics. Fewer than 1 per cent of small firms take up any of the training courses on offer, according to the Government's figures.

A number of surveys carried out over the past few years by the Forum of Private Business, one of the leading small business lobby groups, showed that 67 per cent of its members had never had any formal business training and - even more ominously - 58 per cent did not want any. Forum members have responded more enthusiastically to a recently introduced scheme, the Private Enterprise Programme.

The most common reasons for not taking up business training are a lack of time and the loss of revenues which would result from the boss being away from the shop.

Underlying the unwillingness of small businessmen to train is a deeper problem. They do not believe that formal training will add to the effectiveness of their operations.

"The British don't look to education to help them in practical terms, certainly not when it comes to starting a business," comments Peter Saunders, a director at Cranfield School of Management.

It is little consolation that big company managers in Britain are equally poorly trained. A report by Professor Charles Handy published last April was the latest in a series to point up the management shortcomings of many large UK firms.

The Americans, in contrast, are enthusiastic learners - whether they are running large or small businesses. And interest in small business training programmes is on the increase around the world. The Italians are devoting increasing attention to it while teams from both France and Australia have recently looked at the work being done at Cranfield.

There is little doubt that training reduces the very high casualty rates of small firms in their early years. One in three start-up companies in Britain can be expected to fail within the first three years. The Manpower Services Commission says its training programmes reduce the mortality rate to just one in 10 companies over a two-year period.

And businessmen who do take a business course are overwhelmingly positive about what they have learned. A CBI survey carried out just over a year ago showed 77 per cent of owner-managers felt their training to have been either invaluable or well worthwhile.

Certainly the number of people following training courses has increased sharply in recent years, partly because of the introduction of more attractive programmes provided at more convenient times. Courses have in some instances been reduced from several weeks to a few days. Video presentations are replacing old-fashioned "chalk and talk" techniques.

The main provider of small business training in the UK is the Manpower Services Commission. It contracts out the actual teaching courses to private training consultants, colleges and local enterprise agencies.

The numbers taking the MSC's small business training courses have risen from just 32 people 10 years ago to 67,000 in 1986/87. The main courses currently on offer from the MSC are:

- The Business Enterprise Programme. Aimed at people who have yet to start a business, it involves six days' training spread over a five week period in matters such as business structure, sources of finance and sales forecasting. The MSC plans to reach 50,000 people with this course, which is free, this year.
- The Private Enterprise Programme. Consists of 13 one-day or two-evening "modules" in subjects such as marketing, finding new products and managing growth. Courses are free to businesses less than one year old but £35 a session for longer established companies.

The MSC hopes to provide 60,000 places on these courses this year but Graham Hyde, the organisation's head of enterprise training, acknowledges that the take-up has been patchy.

- Firmstart. An up-market programme aimed at people already in business or with a sound business plan which is expected to create a sizeable company or a large number of jobs in a fairly short time. The course, which is free but subject to intense competition, is run part-time over 26 weeks at nine business schools and colleges around the country. About 200 people will take the Firmstart course this year.
- The Graduate Gateway Programme. Gives new graduates 15 weeks' work experience in a small company. This programme provides work experience and may lead to a job with the host company. About 800 graduates are expected to enrol this year.

The MSC has been engaged in a tough cost-cutting operation in recent years, aiming for large increases in the numbers trained.

This policy has run into fierce criticism from some of the organisations which implement the MSC programmes. The commission has been accused of going for the maximum number of "bums on seats" at the expense of quality.

The Private Enterprise Programme in particular has been criticised for presenting disjointed chunks of information out of context. "PEP does not take the business and the individual together," complains one critic. "You just have knowledge put in front of you without having the opportunity to integrate it into your business."

Despite the progress which has been made in devising shorter, more focussed courses to meet the needs of small business, some of the trainers fear that the less tangible benefits which result from informal contacts between the students will be lost.

"The approach I take is to look at both the individual and the business," says Catherine Gurling, director of enterprise programmes at the London Business School.

"For example, if you can't handle personal contacts you may screw up a sale. Being taught in a group brings that out. You have to recognise your weaknesses and plug the gaps. If I'm honest 50 per cent of what the students learn comes from being with others in the same situation."

For course information contact: MSC, Moorfoot, Sheffield S1 4PQ, area offices or local Jobcentres.

MANAGEMENT ATTENDANCE OF TRAINING COURSES

Subject area	Owner-mgrs%	Staff-mgrs%
Fl plang/cap raising/proj appraisal	47	26
Cost/mgt accounting	39	29
Marketing/selling/exporting	40	45
Production/operations mgt	24	32
Commercial law/contract law	23	12
Personnel mgt/indl relations	37	34
None of above	24	29

Source: CBI

Legal Notices

IN THE HIGH COURT OF JUSTICE CHANCERY DIVISION
Mr Registrar John Bradburn
Friday the 9th day of October, 1987
IN THE MATTER of G. R. (HOLDINGS) plc
AND IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice (Chancery Division) dated 9th October, 1987 confirming the reduction of the capital of the above named Company from £3,000,000 to £2,950,000 and the Minute approved by the Court showing with respect to the capital of the Company as altered the several particular required by the above-mentioned Act were registered by the Registrar of Companies on 20th October, 1987.

Dated this 22nd day of October 1987.
Jaques & Lewis,
2, South Square,
Gray's Inn,
London WC1R 5HR.
Solicitors for the above named Company.

R.K.U. LIMITED
REGISTERED No. 1691550

NOTICE IS HEREBY GIVEN that I, SURJIT KUMAR SINGLA, FCA of Singla & Co., Chartered Accountants, of Albert Buildings, 49 Queen Victoria Street, London EC4R 1BR was appointed Administrative Receiver on 20th October 1987, of all assets by Mount Credit Corporation Limited, under the powers contained in a debenture dated the 31st January 1984.
S. K. SINGLA
Administrative Receiver

Company Notices

Kingdom of Sweden
FF800,000,000
3¾%/8% Bonds due 1991
consisting of equal amounts of
Series A Bonds ("Bull Bonds")
and
Series B Bonds ("Bear Bonds")

Notice is hereby given that pursuant to paragraph "Redemption" of the terms and conditions of the Series A Bonds and of the Series B Bonds, the redemption price of each Series A Bond has been set at 88.9375% of the principal amount thereof, and the redemption price of each Series B Bond has been set at 111.0625% of the principal amount thereof.

Luxembourg, October 27, 1987

The Fiscal Agent
KREDIETBANK
S.A. LUXEMBOURGEOISE

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GT UK Small Companies Fund SICAV
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2 boulevard Royal
L-2953 LUXEMBOURG
Notice to Shareholders

The directors have resolved that the suspension of subscriptions and redemptions with effect from 20th October 1987 previously announced shall be cancelled.

Consequently subscriptions and redemptions requests made to the fund since 20th October 1987 will be dealt with on 23rd October 1987 at the price per share calculated that day and requests received from the commencement of business on 23rd October 1987 will be dealt with in the normal manner.

by order of the board

Republic of Portugal
FF700,000,000
Floating Rate Notes due 1995

In accordance with the terms and conditions of the Notes, notice is hereby given that for the interest period October 26, 1987 to January 26, 1988 the Notes will carry an interest rate of 8·675% p.a.

The interest payable on the relevant interest payment date, January 26, 1988 will be FF221·69 per Note of FF10,000 nominal and FF2,216·94 per Note of FF100,000 nominal

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25 YEAR ANNIVERSARY
25
1962-1987

Sharp gains at JVC and Hitachi

BY CARLA RAPOPORT IN TOKYO

TWO OF Japan's largest electronics companies announced sharply increased profits yesterday, heralding the beginning of an industrial recovery from the trauma caused by the yen's appreciation.

JVC, Japan's leading maker of video cassette recorders, more than doubled its pre-tax profits in the six months ended last September, in spite of a sharp drop in exports.

Hitachi, Japan's leading manufacturer of electrical machinery, boosted pre-tax profits by 26 per cent and indicated that further recovery is expected in the months ahead.

"We think the worst is over," a Hitachi executive said yesterday.

Japanese industry has suffered a marked drop in exports and overall profits following the yen's appreciation against foreign currencies, which began in the autumn of 1985.

Hitachi and JVC have engineered their profit recoveries by a combination of ruthless cost-cutting, improved manufacturing efficiency and a more sophisticated range of electronic exports.

Both companies also cited strong domestic demand as a significant factor in offsetting the drop in sales abroad.

For the six months, when Hitachi's exports were off by 12 per cent, sales on an unconsolidated basis dropped 4 per cent to Y1,436bn ($10.07bn), while pre-tax profits climbed from Y45.6bn to Y57.6bn.

Significantly, Hitachi's cost-cutting exercises and its increased purchases of components from outside Japan helped to shrink its cost of sales by 8 per cent in the period, to just over Y1,000bn.

Hitachi's net earnings in the period were up 18 per cent to Y31.1bn. Its information and communication systems and electronic devices showed the best sales in the period, while consumer products fell by 17 per cent overall.

For the full year, Hitachi expects pre-tax profits to reach Y120bn. The interim dividend was unchanged at Y4.50.

JVC, with exports off by 11 per cent, managed to inch sales up by 1 per cent, to Y283.8bn. Pre-tax profits recovered to Y8.3bn from Y4bn last year. Net profits were up 21 per cent to Y2.9bn.

For the full year, JVC is forecasting pre-tax profits of Y16bn. The dividend for the period was held at Y6.25.

JVC noted that housing investment and consumer demand showed steady improvement during the period. The company also anticipates that government measures, such as increased public spending and income tax cuts, will further stimulate domestic sales.

Hindujas and Fiat in Ashok Leyland deal

BY JOHN ELLIOTT IN NEW DELHI

A CONTROLLING stake in Ashok Leyland, India's second largest truck and bus manufacturer, is being sold by Rover Group of the UK to a joint venture comprising India's Hinduja business family and Fiat Iveco of Italy for a figure believed to be about £28m-£30m ($47m-$50.4m).

The proposed deal gives the London-based Hindujas - an international trading family who recently acquired a big shareholding in Gulf Oil and Trading - a high-profile entry into Indian manufacturing industry which they have been seeking for some time.

Their bid has beaten the next highest offer of about £25m-£28m submitted by Mr Rahul Bajaj, who runs Bajaj Auto, a scooter manufacturer.

A third offer of about £20m was submitted by Mr Manu Chhabria, an Indian-born businessman based in Dubai, who has been buying controlling stakes in other Indian companies from British interests.

Rover Group is selling its 39 per cent stake in Ashok Leyland, and a 51 per cent stake in Ennore Foundries, an allied company, following the takeover earlier this year of its Leyland truck and bus interests by Daf of the Netherlands.

With an output of about 16,000 vehicles a year, Ashok Leyland has 30 per cent of the Indian truck and bus market, holding second place to Telco, which is part of the large Tata group.

Its profits rose to Rs64.1m ($4.9m) last year, starting a recovery after several years of problems.

Ashok Leyland has a tie up with Hino, the Japanese truck maker, which considered submitting a bid but did not make the final shortlist. Daf also considered bidding, but then withdrew.

The Hindujas are one of the most successful and controversial families of non-resident Indian entrepreneurs and they have extensive political connections in the UK and elsewhere.

They have repeatedly denied allegations that they are linked with Indian contracts for Bofors guns from Sweden and HDW submarines from West Germany, which have been the subject of corruption allegations this year.

But for some time they have been trying without success to be accepted as partners in Indian industrial projects. They have recently submitted proposals with Bechtel of the US for three electric power projects in India, which would cost $2bn.

Ashok Leyland is the latest of a series of sales of British stakes in India involving companies such as Chloride, GKN, Davy and Dunlop.

The sales have been taking place either because of rationalisation of the British parent's manufacturing operations, or because the Indian companies were in urgent need of fresh investment funds and managerial talent.

BHP to set up battery materials plant

BY OUR FINANCIAL STAFF

BROKEN HILL Proprietary (BHP), Australia's largest company, is to spend up to A$100m (US$71.7m) on a plant to make 15,000 tonnes a year of high-grade electrolytic manganese dioxide (EMD).

It said yesterday that the facility, which its BHP-Utah Minerals division is due to open in 1990, would account for about 10 per cent of world capacity for EMD, used most notably as the primary energy source for dry-cell batteries.

The plant will use manganese ore from the Groote Eylandt deposit, an aboriginal reserve off northern Queensland. BHP did not say, however, where the plant would be built.

About 90 per cent of its output would be exported to earn an estimated A$30m a year.

As part of its recent strategy the group - which has interests in energy, steel, metals and minerals - has been seeking ways to take its raw materials output further downstream into refined or semi-finished products.

●BHP also announced yesterday that it would develop the Challis oilfield, situated about 400 miles west of Darwin in the Timor Sea. Production is due to begin by September 1989 at an initial rate of 24,000 barrels a day (b/d).

The Challis field, discovered in 1984, is 12 miles south of the Jabiru field which has been in production for more than a year at about 27,000 b/d.

The decision to develop the field follows a government offer of a production licence. A new resources rent tax allows the company to avoid royalty and excise payments on high-cost production areas, government officials said.

Four wells drilled at Challis have tested at rates between 2,317 b/d and 10,000 b/d.

Partners in the field are BHP, which is the operator and has a 50 per cent stake; Citco Australia Petroleum, a unit of Exxon of the US, which has 18.75 per cent; Norcen International with a 12.5 per cent; Peko Oil with 10.3 per cent; Ampol Exploration with 6.25 per cent; and Norpac Securities Australia and Brenda Mines which have 1.1 per cent.

CCM blames recession for slide into red

By Wong Sulong in Kuala Lumpur

CREDIT CORPORATION of Malaysia (CCM), third largest of Malaysia's 45 finance companies, has reported a slide into an operating loss of 56m ringgit (US$22.4m) for 1986 from a profit of 5.2m ringgit in 1985, a setback which it blamed on bad debts arising from the Malaysian recession.

The loss was, however, reduced to 33.3m ringgit after accounting for deferred taxation of 22.8m ringgit.

The three shareholders - Australia Guarantee Corporation (with 49 per cent), Standard Chartered Bank of the UK (41 per cent) and Syarikat Permodalan Kebangsaan, a Malay investment company (10 per cent) - have agreed to a capital injection of 26m ringgit to restore capital adequacy ratios.

The injection will increase its paid-up capital to 36m ringgit, but shareholders' funds will remain unchanged at 60m ringgit.

CCM, which was set up in 1963, has also undertaken a big management overhaul, including the reappointment of Mr Clem Just, an Australian, as its director and general manager. Mr Just held the same position from 1976-79, when CCM rapidly expanded its business.

The 1985-86 recession has hit finance companies as severely as commercial banks, forcing them to make heavy provisions for bad debts and suspension of interest on non-performing loans.

OK Bazaars raises profit

By Jim Jones in Johannesburg

OK BAZAARS, one of South Africa's largest supermarket chains, increased sales by 16.9 per cent in the six months to September 30, against a background of low growth in the disposable earnings of the lower and middle income groups.

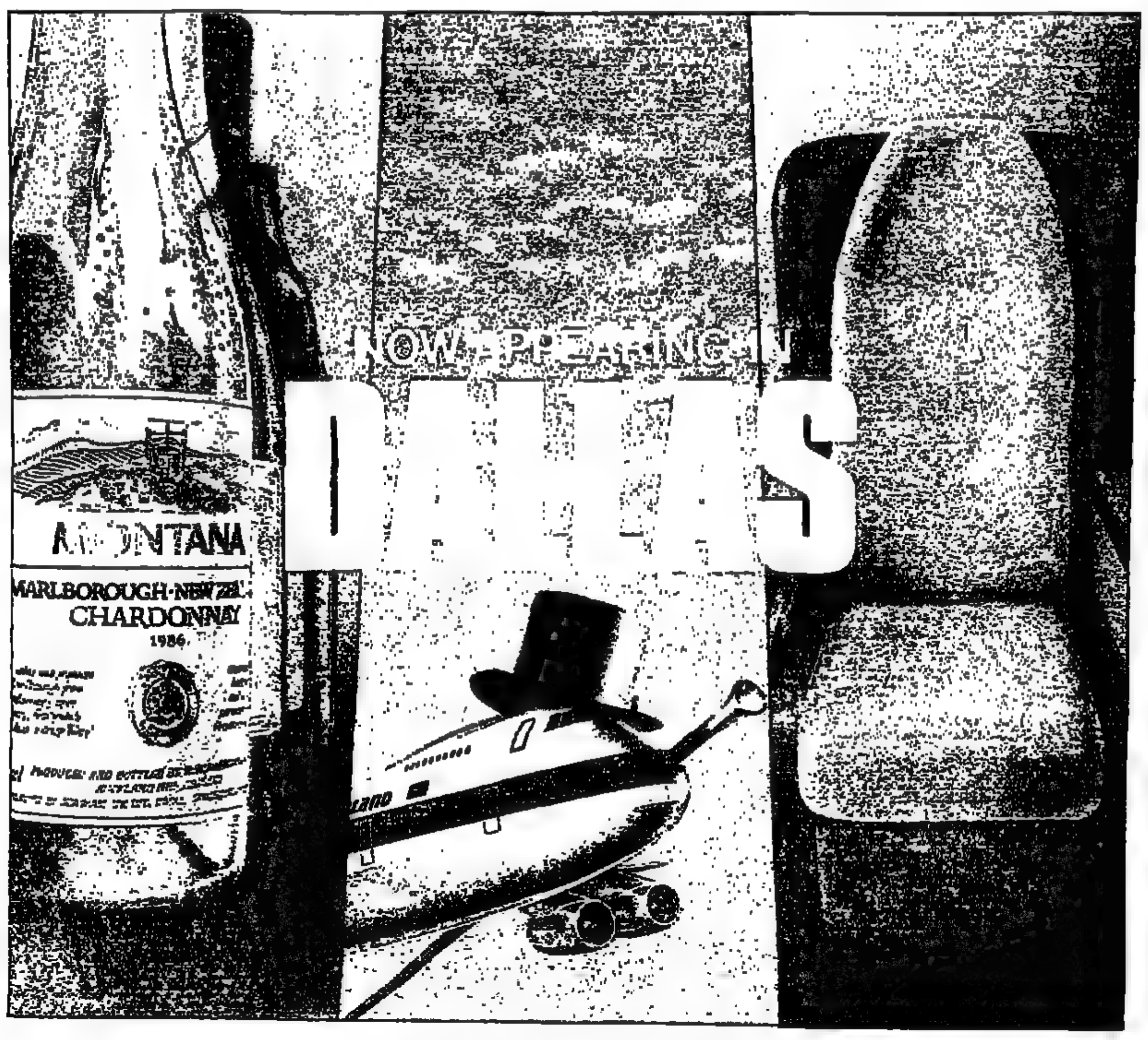
First-half sales rose to R1.29bn ($630.5m) from R1.10bn in the corresponding period of 1986. The interim pre-tax profit increased to R11.66m from R9.33m.

Turnover totalled R2.26bn in the financial year to last March and the year's pre-tax profit was R29.11m.

A further increase in turnover and profits is expected in the current six months.

First-half net earnings rose to 44 cents a share from 35 cents and the interim dividend has been lifted to 24 cents from 21 cents. Last year's total earnings were 123.0 cents and the year's dividend was 73 cents.

OK Bazaars is a 70 per cent-owned subsidiary of South African Breweries.



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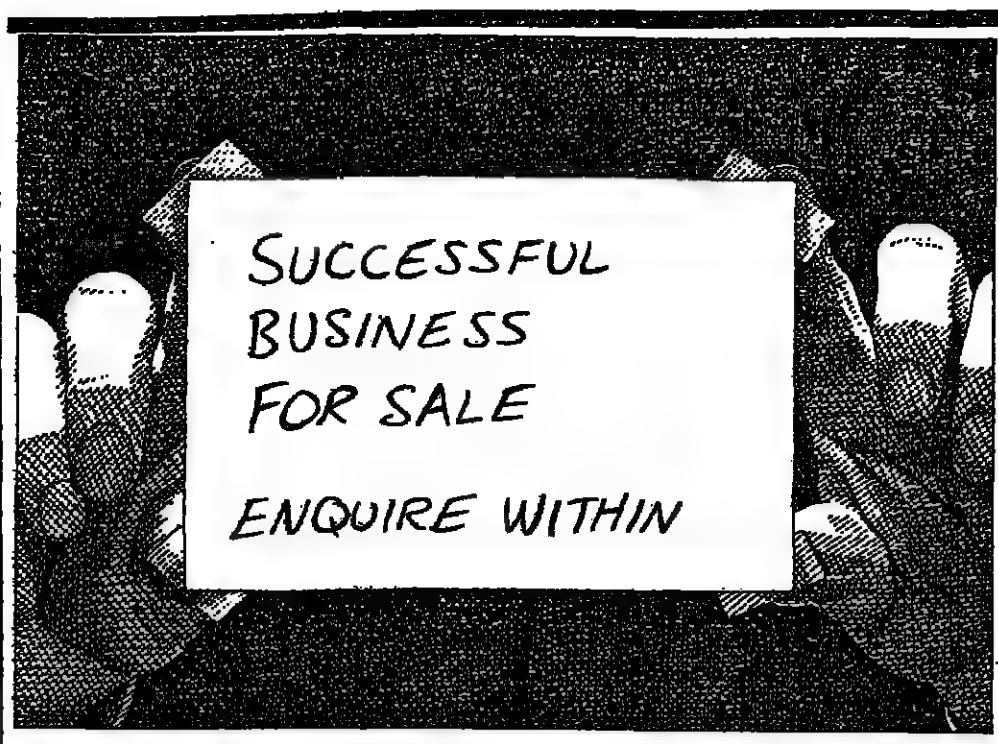

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FINANCIAL TIMES SURVEY

The Faroes in the North Atlantic enjoy home rule under the Kingdom of Denmark. The islands are experiencing a booming economy, despite the problems in the fishing industry, as **Hilary Barnes** reports.

The Faroe Islands

High standard of living

LIFE IN the Faroes Islands has always been a balancing act between the improbable and the impossible," says Mr Oli Breckman, one of the islands' leading politicians.

His view sums up neatly one's feeling as the aircraft comes in to land at Vagar, the islands' only airport. The aircraft's wingtips seem dangerously close to touching the fellsides which hem-in the airstrip. The Maersk Air Boeing 737 is fitted with special brakes to ensure that the machine stops before the short runway ends abruptly in a cliff.

The Faroese, descendants of the Vikings who arrived in the 10th century, have sustained the balancing act with remarkable success, earning the islands one of the highest standards of living in Europe, with a per capita income in 1986 of $16,800.

They are apt to point out, with justifiable pride, that there are few small-island societies in the world which have succeeded not only in maintaining, but in steadily increasing the population, which has risen from 38,612 in 1970 to 46,312 in 1986.

The 18 islands - 16 of them inhabited - are of volcanic origin. They rise almost sheer out of the North Atlantic about 600km west of Norway and 430km north-west of Scotland, providing some of the most spectacular cliff scenery in Europe. The cliffs are famous for their colonies of puffins, guillemots and otherr seabirds.

Until the 1930s, the islands eaked out a meagre living, supported by sheep and meat and blubber from the slaughter of pilot whales. A modest export of dried and salted cod, caught by sailing smacks, provided the extras.

The Faroes are still almost entirely dependent on fisheries, which account for 94 per cent of their exports and a quarter of total production. The islands' other main source of income is a generous subsidy from Denmark, amounting last year to some 16 per cent of the gross domestic product.

But in other respects they have have come a long way in the past half-century. The fishing fleet of today is as modern as any, and the top prices obtained by Faroese fish products, wherever they are sold, attest to the high quality.

With increasing wealth, the infrastructure has been developed. There are 400km of roads, extensive ferry and bus services, and the banking system is all on-line. There are 17,000 registered motor vehicles (most families in Torshavn, the capital, seem to have two), about one computer for every 60 persons, and a video recorder in virtually every home.

The economy has been in boom condition for several years, despite the ups and 'downs of the fisheries. This has created its own problems, including a current balance of payments deficit of about eight per cent of the GDP, or Dkr496m in 1986 (in 1984 it was as much as 17 per cent of the GDP), a net foreign debt equal to some 67 per cent of the GDP, and an acute labour shortage.

This autumn there are about 1,200 immigrant workers in the islands, which is roughly five per cent of the labour force.

Dependence on fish, however, means that the economy is vulnerable, and many of the island society's present problems have arisen out of the need to make a radical adjustment of the fisheries industry when 200-mile zones were introduced in 1977. Until then, the Faroese fished wherever there were fish to be caught.

"We've been thrown back on our own resources alone," says Mr Birgir Danielsen, chairman of Faroe Seafoods, the co-operative export marketing organisation which accounts for about 80 per cent of Faroese fish exports.

There was general concern in the mid-1970s that the new fisheries regime might lead to unemployment, and therefore government subsidies were used to encourage a renewal of the fishing fleet and diversification into other industries, notably freight shipping.

"Unfortunately, we have become addicted to subsidies," says Mr Breckman, a member of the Logting and one of the Faroes' two members of the Folketing in Denmark.

The subsidies have contributed to the land-based boom and the consequent balance of payments problems.

"We are among the most indebted countries in the world, but you must see the positive side of this as well," says Mr Atli Dam, the Prime Minister. "We have borrowed for investment in productive capacity, not for consumption."

The availability of credit guarantees from the Landsstyri, subsidised finance for ship-building both in the Faroes, Denmark and in Norway (where many Faroese ships are built) has enabled owners to build with almost no personal risk - and they have invested heavily.

"From an economic point of view, the value of these investments has to regarded as extremely modest," says the 1987 report on the Faroese economy by the Danish Government's advisory committee.

Although Mr Dam has tried hard to get his four-party coalition to restrict the subsidies, it has proved hard-going to break the habit, and, with a new election to the Logting in 1988, the climate does not favour financial stringency. As the Danish advisory committee said in July: "Public investment of Dkr700m in 1987 is making a major contribution to the shortage of labour, yet a 40 per cent increase in investment is forecast for 1988."

Business is worried. There have been several big bankruptcies recently, including a shipping company operating three chemical carriers, another operating two gas tankers, and several trawler-owners.

"There has to be a set-back - and a fall in living standards," says Mr Johan Mortensen, fish exporter, who said that after a poor year so far in fishing, trawler-owners were in general feeling squeezed, and that this is beginning to affect the rest of the fisheries-related industries.

On the sensitive issue with the Danish Government of subsea oil and gas prospects around the Faroes, the crucial point for Mr Dam is that the Faroes should be able to control the pace of exploration, as he fears that the Faroes' traditional society could be totally submerged by an oil culture. As a graduate engineer who spent several years in Kuwait, he has seen the process at work - and does not like it much.

Although the Faroes' immediate economic problems look bad on paper, there are counter-facters as well. One is that most of the "foreign debt" is to Denmark, much of it for houses built with loans from the Danish mortgage associations, and thus are not a foreign currency debt.

One is that most of the "foreign debt" is to Denmark, much of it for houses built with loans from the Danish mortgage associations, and therefore not a foreign currency debt.

Another important positive point is the great flexibility of the Faroese and their economy. There are no unemployment benefits on the Faroes - and no unemployment - and few or no union job restrictions.

The maximum income tax is 50 per cent, there is no wealth tax and yields on bank deposits are taxed at a flat rate of half a per cent - "Savings are positively Japanese, about 28 per cent of the GDP, and wherever you go and whoever you talk to you meet hard work and initiative. There's no Eurosclerosis here," comments one observer.

The degree of pessimism among the Faroese was summed up with a neat touch of irony by Mr Arni Olafsson, the Faroes' adviser to the Danish Foreign Ministry: "We're facing disaster. Unemployment, now negative, may rise to zero."

FAROES' INCOME

THE Faroe Islands are part of the Danish currency area, although the islands have their own bank notes, issued by the National Bank of Denmark.

- Per capita income: Dkr 136,000 (equivalent to US$16,800 at 1986 average exchange rate).
- Savings as % of GDP: 28%.
- Disposable national income: Dkr6bn.
- Gross domestic product: Dkr5.46bn.
- Transfers from Denmark: Dkr845m.
- Consumption: Dkr4.3bn.
- Investment: Dkr2.13bn.
- Investment as % of GDP: 38%
- Merchandise imports, 1986: Dkr2.86bn.
- Exports of fish, fish products, 1986: Dkr1.83bn.

Government and constitution

THE FAROE Islands (population, 46,300; capital, Thorshavn (with a population of 13,000) are a part of the Kingdom of Denmark. The language is Faroese, closely related to Icelandic.

Under the Home Rule Act of 1948, the islands enjoy extensive autonomy. The judiciary and police, the church, foreign policy, defence, and the money system remain under Danish control. The Faroes elect two members to the Danish Folketing.

The Faroese legislature, the Lagting, has 32 members. The executive, the Landsstyre, currently a centre-left coalition of four parties, has six members, headed by the Lagmand (Prime Minister), Mr Atli Dam, Social Democrat.

The composition of the current Lagting, elected in 1984, is: Social Democrats, 8; Independence Party, 2; Republicans, 6; Progress and Fisheries Party, 2; People's Party, 7; and Unionist Party, 7.

A complex political pattern

FAROESE POLITICS are a curious mixture. There is the familiar left-right conflict, but it is complicated by disagreement along a second axis, union or independence from Denmark.

There are left and right-wing independence parties as well as left and right-wing unionist parties.

The Republicans, a left-wing socialist party, want independence now, "preferably by noon," says one informant.

The People's Party, a conservative-liberal party, would like independence soon, maybe next year, while the Self-rule Party advocates independence sometime (or never, say its critics).

As long as Denmark continues to provide a generous subsidy, it seems unlikely that there will be a mad rush for separation, especially as Denmark has gradually granted the Faroes more and more autonomy over internal affairs and some foreign affairs - the Faroese negotiate their own bilateral fishing deals.

The major outstanding issue between Denmark and the Faroes is control of sub-sea shelf area resources. There appears to be a reasonable prospect that oil and gas will one day be discovered. But until the Danish-Faroes dispute over control is settled, there will be no exploration.

The Danish Government view is that raw material resources are an issue which concern the Kingdom as a whole, a principle which cannot be abandoned "without having major consequences," as Prime Minister Poul Schlueter puts it.

"It will have even greater consequences if control of Faroese raw material resources are not handed over to the Faroese," retorted Mr Dam in a recent exchange in the Folketing.

Mr Dam said that for him the issue is not primarily economic: "If a find is made which is big enough to exploit in the deep-water conditions on our shelf, it will be so big that there will be plenty of money for everyone."

The Faroes have no foreign policy of their own, as defence and foreign policy are the province of the metropolitan government in Copenhagen.

But this does not prevent a lively debate in the Faroes on East-West issues. The Faroes are not members of the EEC, but are members of Nato (as part of the Kingdom of Denmark).

The Logting has on various occasions unanimously affirmed that, Nato membership notwithstanding, the Faroes regard themselves as non-aligned, but the unanimity has recently ended. Mr Breckman's People's Party now wants the Faroes to give a positive affirmation of their support for Nato, and as Mr Breckman made substantial gains in the election to the Danish Folketing in September this year, he seems to have considerable support.

Mr Dam and the Landsstyri, on the other hand, are more concerned with the question of the establishment of a superpower guaranteed Nordic nuclear-free zone, for which the Scandinavian Social Democratic parties are striving.

Should the Scandinvian peninsular, Finland and Denmark become a formal nuclear-free zone, Mr Dam wants to make sure that the Faroes are not left out.

Meanwhile, the question of relations with the Soviet Union is of immediate practical concern. The Faroes and the Soviet Union have a bilateral agreement awarding reciprocal fishing rights in each other's waters. Two of the three Faroese shipyards also have agreements with the Soviet Union to repair Soviet trawlers.

"We regard this pragmatically," says Mr Dam. "All other Western European countries have commercial agreements with the Soviet Union. The Americans sell corn to the Russians, don't they?"

Many Faroese are suspicious of Soviet intentions; diplomats from Nato countries have their misgivings, too. But Mr Breckman, whose views are strongly anti-Soviet, pointed out that nearly all Faroese are "fanatically" pro-western, while a big majority support Nato, and a majority probably even favours the retention of the Nato radar station on the islands.

"There is a strong feeling that the Russians should be kept at arms length," he says.

Fishing industry developments

The blue whiting gamble

THE FAROE Islanders have a dream: that the great blue whiting venture will renew the fortunes of the fishing fleet and *fisheries industry*.

The story starts in 1977, when the introduction of 200-mile economic zones threw the Faroese fishing fleet, which was *used to fishing anywhere there* were fish to catch, back on the resources of their own 200-mile zone - plus any fish it could "swap" in other waters against Faroese fish.

Resources of high-value cod and haddock in Faroese waters are limited - and they have been over-fished and are therefore in danger of depletion. But there are vast stocks of blue whiting, a small cod-like fish which inhabits its deeper waters. Blue whiting are used for human consumption in the Soviet Union, but not *in western Europe*.

This enabled the Faroese to exchange a substantial blue whiting quota with the Soviet Union - currently 145,000 tonnes a year - against 21,500 tonnes of cod in Soviet (or Soviet-Norwegian) waters.

But if the blue whiting could become an acceptable consumer fish in Western Europe (said the Faroese to themselves), they would have found a goldmine. Turned into boneless and skinless fillets, its present price of around Dkr 1.50 per kilogram would rise to cod-like prices of around Dkr4-5 per kg.

The idea seemed so good that neither the fishermen nor the Landsstyre could restrain their optimism, with the Landsstyre liberally handing out subsidies and credit guarantees, and the trawler skippers gleefully taking the chance to buy brand new trawlers at practically no risk to themselves.

Mr Birgir Danielson, grand old man of the Faroese fisheries industry, who is chairman of Faroe Seafood, the co-operative business which markets about 80 per cent of the Faroese fish, says that nine trawlers have been built for the blue whiting fisheries. The total value of the new vessels is over Dkr1bn, (US$140m). None has yet earned a krone.

If blue whiting became an acceptable consumer fish in Western Europe, the Islanders would find unlimited wealth

Mr Oli Breckman, opposition member of the Logting, said that if refurbished and converted trawlers are included, then the total investment in blue whiting may be nearer to Dkr2bn (equal to about 35 per cent of the gross domestic product, *or US$6,200 per capita*).

Some progress has been made in improving the sales value of blue whiting, which is marketed as a high quality fish mince. Mr Johan Mortensen, manager of the Torshavn fish export company, P. Marr, has co-operated with a fish- filleting company to turn blue whiting into *surimi*, which is the raw material for a popular *Japanese product*, crabsticks. After successful completion of a pilot product, Faroese *surimi* is now being made on Japanese machines and exported to a Japanese company in Glasgow.

But the great break-through, the mass production of a boneless and skinless blue whiting fillet, is testing the ingenuity of the Faroese to the limit.

Trawler-owner Morten Johannesen, who has just taken delivery of a new 60-ton vessel, equipped to catch and fillet blue whiting on board, claims that he *has* made the breakthrough and will be turning out the fillets in the winter blue whiting season.

Mr Kjartan Hoydal, the Landsstyri official in charge of fisheries, displays muted optimism - "I think we are solving the problems," he says.

Everyone is crossing fingers, but most are still sceptical. It has proved extremely difficult to produce a fillet in which all the bones have been extracted.

"The fish are small. The machines work very fast, and production cannot be controlled sufficiently well," comments Mr Danielson of Faroe Seafood.

He calls the blue whiting venture "a dark chapter" in which far too much money had been invested before it was known whether production was really possible. Three of the new blue *whiting trawlers had* already gone bankrupt, he added, and another was in severe difficulties.

"When the British occupied *the Faroes in the Second World War*, they called them "The land of maybe,' says Mr Mortensen, who is also British consul in Torshavn. "Maybe we shall succeed with blue whiting fillets."

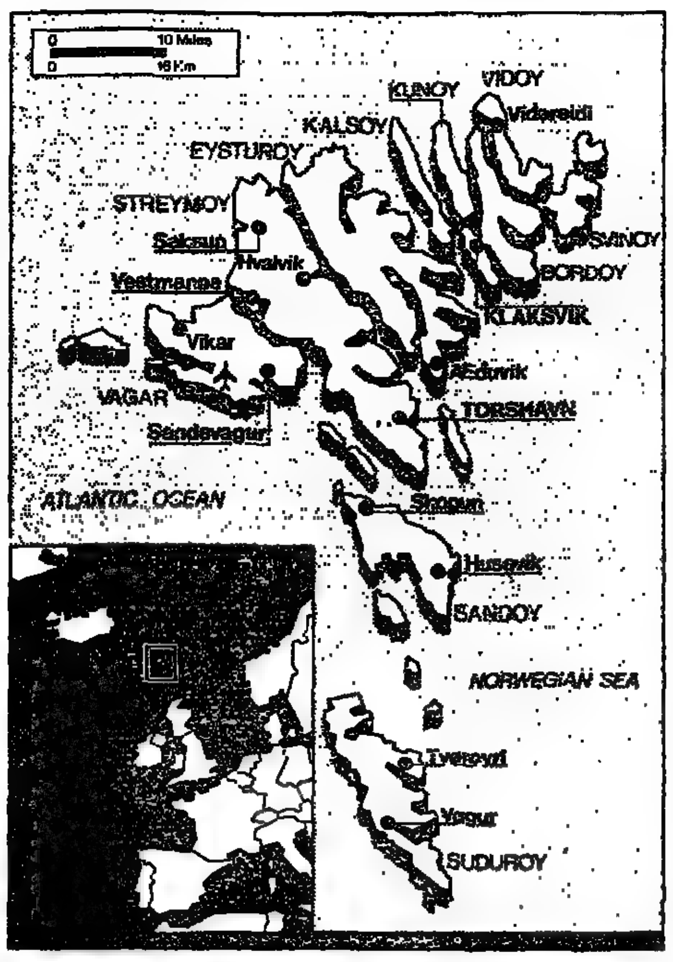
Local observers are asking what will happen if the entire blue whiting fleet goes bankrupt? Since the Landsstyre has provided credit guarantees to the business sector for a total of Dkr952m at the end of 1986 (not all of it to fisheries, however), the Faroese tax-payers would foot a hefty bill.

But some of the losses have been foreseen and are covered by allocations to reserve funds, and the final effect on the Faroese economy may be slight, suggests Mr Arni Olavsen of the Danish Foreign Ministry. Fish farming

If blue whiting do not save the Faroese fish industry, fish farming of salmon and salmon-trout may be more successful. The Faroese are queuing to put their savings into fish farming, but so far only 52 licences have been issued to producers.

Having adopted a ban on the import of smolts (young salmon) as a disease-prevention measure, it has taken time to build up stock, but production is now rising fast.

In 1986 production increased from 1,100 to 1,900 tonnes, worth about kr 66m. There will be a similar increase this year. In two to three years time production will rise to 10-12,000 tonnes with a value of kr 500m-600m, making a 25 per cent increase in exports, said Mr Hoydal.



Main exports

FISH and fish products accounted for 94 per cent of the Faroes' exports last year. The fisheries employ 26 per cent of the labour force and provide 27 per cent of the national output, compared with a mere nine per cent for manufacturing.

The total 1986 catch was *357,000 tonnes, of which half* was caught in Faroese waters, about 16 per cent in EEC waters, 22 per cent in Arctic international waters and the rest in Icelandic, Greenland, Norwegian, Soviet, and Canadian waters - most of whom had reciprocal fishing rights in Faroese waters.

Exports of fish and fish products in 1986 totalled 192,500 tonnes, valued at Dkr1.83bn.

The main markets were: Denmark, Dkr396m; the UK, Dkr266m; West Germany, Dkr265m; the US, Dkr243m; *France, Dkr207m. EEC countries* accounted for three-quarters of all exports.

Iced and frozen fillets,(35,900 tonnes at Dk 680m), were the biggest earner, while 19,800 tonnes of salt fish (almost all of it to Mediterranean Catholic countries) fetched Dkr428m; some 10,100 tonnes of shrimps and prawns fetched Dkr226m; and *2,457 tonnes of salmon* and salmon-trout, fetched Dkr90m.

High-tech talent

ABOUT AS far out on the periphery of Europe as you can get, in the town of Klaksvig, a 75-minute drive and a half-hour ferry ride from Thorshavn, a small company, Com-Data, produces some of the world's most *sophisticated equipment for the* fish-processing industry.

Its founder and owner, Mr Liggjas i Bo, says that Com-Data is the only company which produces completely computer-controlled systems for filleting and shrimp-processing factories. The company has exported the systems to Denmark, Norway, Greenland and Canada, and, *since its foundation seven* years ago, the company has doubled its turnover every year to about DKr60m.

He says that it is not really so surprising to find the company located in the Faroes - "We have such close contact with the industry. I used to be a director of a filleting factory, so I know what the problems are," he says.

So, indeed, does Mr Bjarni Joensen, at Midvagur, near the Vagar Airport, who spends much of his time on board trawlers, trying out the prod*ucts which his company*, Oilwind, develops and produces. Oilwind, with about 65 employees, produces two pieces of equipment of which Mr Joensen is especially proud: a computerised reel and line, used in line-fishing for cod, and a computerised trawl system.

The line system enables fishermen to adjust the depth of the *line, register the weight of fish* on the line, adjust the length of the line and haul in the catch *automatically*.

The trawl system also automatically adjusts the length of the trawl wires to keep the trawl parallel with the ship and to prevent the opening of the trawl from flapping. The software used by Oilwind is pro*duced by Datronic, a five-per*son company based in Thorshavn.

Other evidence of high-tech talent in the Faroes is seen at Elektron, owned by the Government, the telephone company and the banks, which has produced the software for the bank clearing system and the income tax administration.

The main contribution to Faroese manufacturing, however, is made by the three shipyards. Skala, owned by the Landdstyre, is the biggest of *these, producing many of the* trawlers and freighters used by the Faroese.

Torshavn Shipyard, owned by Mr Poul Mohr and family, produces ships up to about 1,000grt and has, among other contracts supplied ferries for the Shetland inter-island service.

Vaag Shipyard is trying a new tack, importing hulls, which it them completes. Total turnover for the three shipbuilders last year was about Dkr244m, including Dkr10m from repair work on Soviet ships.

Strong views on whaling

"WE SHALL continue...I wouldn't feel Faroese any longer if I couldn't eat whale meat and blubber once a week," declared Mr Atli Dam. He is as intransigent as the rest of the islanders on the vexing question of the traditional Faroese slaughter of pilot whales.


Mr Atli Dam: intransigent about "whale meat and blubber once a week"

The Faroes have been inundated with protests from environmentalists and animal-lovers since television crews from around the world discovered that the slaughter of pilot whales, when the water is turned red by blood, makes spectacular - if gruesome - television.

*The most outraged of the envi*ronmentalists claim that it is a conservationist issue, but this is fiercely rejected by the Faroese, who see it as basically a "cruelty-to-animals issue."

"It's really a question of whether we should eat animals at all," says Mr Edmund Joensson, shrimp factory owner.

Mr Dam points out that "the protesters live in big cities and can't see the connection between the meat they eat and the fact that, to get the meat, animals have to be slaughtered."

In another view, "about 150,000 pilot whales are caught, world-wide, each year, mostly by tuna fishermen, which makes all the fuss over the 1,700 whales or so that *we* catch, completely misleading," claims Mrs Dorothea Bloch, a Faroes' zoologist and a leading authority on pilot whales.

In the Faroese drives for pilot whales, the schools of whales are driven into bays for slaughter. In most cases they are beached, but sometimes conditions for beaching do not exist and the whales are (or rather were) gaffed and speared to death.

In the fairly recent past pilot whale meat and blubber was a *vital part of the food supply*. It still accounted for about half the total meat production and a quarter of total meat consumption in 1986, according to the Faroese official account of the whale drives.

The whale drives, which are conducted communally and non-commercially, have always been regulated, but since the is*sue appeared on the world's* television screens, the Faroese have tightened up the regulations, stopping the use of spears and gaffs and insisting that whales are beached, where the jugular vein is cut - and death is rapid.

The *local population* is so incensed by the world's reaction to their traditional hunt that foreign journalists who want to observe the whale drives are not welcome.

"We have a problem protecting them from the local people," says Mr Dam.

Big hopes for fish farming

IF BLUE whiting do not save the Faroese fish industry, fish farming of salmon and salmon-trout may be more successful. The Faroese are queueing to put their savings into fish farming, but *so far* only 52 licences have been issued to producers.

Having adopted a ban on the import of smolts (young salmon) as a disease-prevention measure, it has taken time to build up stock, but production is now rising fast.

In 1986 production increased from 1,100 to 1,900 tonnes, worth about Dkr66m. There will be a *similar increase this year*.

"In two to three years' time, production will rise to 10-12,000 tonnes with a value of Dkr500m-600m, making a 25 per cent increase in exports," says Mr Kjartan Hoydal, the Landsstyri official overseeing the fisheries industry.

How to get there

THERE IS a daily air service: Copenhagen-Vagar, with Danair, the Danish domestic airline, while Icelandair operates a service, Reykjavik-Vagar-Glasgow, twice weekly in winter, but more often in summer.

Smyril Line, Torshavn, runs a passenger service calling at Hanstholm (Jutland, Denmark), Lerwick (Shetlands), Bergen (Norway) and Seydisfjordur (Iceland).

DFDS, the Danish company, operates a summer service between Esbjerg (Denmark) and Torshavn.

Freight services are operated by Faroe Ship (Grimsby; Rotterdam; Lysekil,Sweden; Stavanger; Galloway) and Star Line (Grimsby; Flushing; Vasa, Finland; Halmstad, Sweden; Drammen, Norway.

Disaster planning - a 'moral obligation'

California's earthquakes have raised awareness of the need to protect computer systems, reports Louise Kehoe

"YOU CAN'T prevent an 'act of God,' but to be unprepared is an act of ignorance," warns Frank M. Piluso, vice president in charge of computing and communications at California Federal Savings in Rosemead, California. The computer equipment upon which so many businesses have come to rely is highly vulnerable, he points out.

"Nobody ever thinks it is going to happen to them, but every data processing manager needs to know that disaster contingency planning is not just a professional responsibility, it is a moral obligation," Piluso asserts.

For Piluso and his colleagues at California Federal, the fourth largest savings and loan institution in the US, disaster struck early on the morning of October 1 when a major earthquake shook the ground beneath the company's data processing centre in Rosemead.

Although CalFed's building escaped serious structural damage, the interior was wrecked. "We lost 90,000 ceiling tiles. They took eight tons of debris out of here. We have ten miles of wiring that has to be replaced," Piluso reports.

California Federal's data processing centre was back in operation just 29 hours after the earthquake struck and has remained operational despite several serious aftershocks. "The important point is not how quickly we were able to get up, but that we were able to recover at all because we were prepared," says Piluso. "We could have been looking at the real possibility of not being able to reconstruct," the company's executives believe.

The savings and loan managers feel driven to share their experiences. "We are some of the few people who have had to go through this. What we have learned needs to be shared," they say. "It might not be us next time." Their earthquake story is an eyeopener. Indeed, though not wholly comparable in terms of physical devastation the events in California will probably strike a chord with systems managers in the UK who faced the prospect, or even the reality, of a major breakdown due to power failure resulting from the storms in southern England just over a week ago.

"The first thing we did was to get the people out. Then we shut off the power and water at the mains. Teams of us went in to do a damage assessment... it was devastating...there was a sense of disbelief. People were in shock. We quickly discovered that it helped to assign tasks, to give people something to do."

One of those tasks, which could prove invaluable, was to note deficiencies in the company's emergency plans during the recovery effort. "We have 60 action points and we started implementing them immediately. We didn't wait for a single day."

As a major financial institution, California Federal is required to maintain elaborate contingency plans to cover computer failures. Every day, computer tapes are copied and transported to computer backup sites where duplicate mainframe computers stand ready to take over. When the quake hit, people and tapes were sent off to the back-up sites which they expected to be operational within 24 hours. As the dust settled however, it became clear that the data processing centre could be restored and the backup sites were not eventually used.

California Federal's 200 branch offices were able to maintain normal operations throughout the hiatus because they are equipped with "intelligent" terminals that can perform 95 per cent of the tasks normally handled by the mainframe computers. This proved critical in the immediate aftermath of the quake. "We had made that major investment in 1983-84, and it certainly paid off," says Piluso.

Structural damage resulting from an earthquake in California: "The computers upon which many businesses rely are highly vulnerable."

Emergency electricity, air conditioning and water plants (for computer cooling systems) are located at the data processing centre site, but these were all knocked out by the quake, as were the normal utility supplies.

In the event, however, it was not elaborate technology that saved the day. Whoever thought to put a stack of plastic sheeting in the computer room saved CalFed the cost of two new mainframe computers as they were doused with water from a broken main on the fourth floor.

Lesson number one, suggests Piluso, is that water and computers do not mix! "What really got us was that we lost the phone system. We could'nt even call head office to tell them what had happened," he recalls. The private branch exchange that controlled the office phone system was destroyed by water. "We commandeered a cellular phone in somebody's car in the end."

For the people at California Federal, the risks of yet more disruption from aftershocks of the October 1 quake are very real. It could be months, according to seismic experts, before the earth stops moving. Few have to learn the hard way how to deal with emergencies like earthquakes, but the lessons of the Los Angeles quake apply to any business that relies upon computers. The boy scout motto "be prepared" should also be the credo of the data processing manager if physical disasters are not also to become financial disasters.

Meanwhile, the Los Angeles earthquake has led to a heightened awareness throughout California of the dangers they present. Says Tom Tobin, executive director of the State Seismic Commission in California: "We are just beginning to become aware of the potential problems in Silicon Valley."

The commission's attention has been focussed upon Silicon Valley, the Northern California high technology enclave where many of the leading semiconductor and computer firms are based, because Silicon Valley - built upon a basin of soft sandy soil - is particularly at risk. In an earthquake, according to geologists, this land would "shake like a bowl of jelly," dramatically increasing the damage to buildings and their contents.

The use of highly toxic chemicals in semiconductor manufacture is a rising cause of concern. Several of the largest companies in Silicon Valley have undertaken major efforts to ensure the containment of toxics and to minimise the amounts of these substances stored at their Silicon Valley factories.

"But the problems may be with the smaller companies," suggests Richard Eisner at BAREPP (the Bay Area Regional Earthquake Preparedness Project). He fears the possibility of several simultaneous toxic leaks in a major quake that could overwhelm the ability of local fire and emergency response teams to deal with the problems.

"Could we have another Bohpal on our hands? I don't know, but the possiblities are terrifying." Another threat to manufacturing industry, particularly in Silicon Valley, comes from the so-called "tilt-up" concrete structures that house most of the factories. In a major quake, these buildings are subject to collapse. The walls fall out and the roof falls in. Several such buildings were badly damaged in the recent LA quakes.

Building codes, upgraded following a 1971 quake in the San Fernando valley, have mandated construction elements that tie the tilt up buildings together, but the buildings errected prior to 1976, during the Silicon Valley building boom, are still vulnerable.

Despite the apparent dangers, BAREPP reports that the majority of companies in the San Francisco Bay area have until recently shown little interest in preparing earthquake recovery plans or safeguarding their plants.

There are some notable exceptions, such as IBM, which has spent heavily to upgrade the structures at its San Jose facility and Hewlett Packard which has recently begun a very ambitious earthquake preparedness programme, but of almost 900 companies surveyed recently by BAREPP, only 128 responded to questions concerning their earthquake plans.

What many business people do not appreciate, suggests Richard Eisner, is that their businesses can be destroyed by a less than catastrophic quake. The physical damage is only the "tip of the iceberg" he says. "Losses due to business disruption will probably equal those due to property damage in Los Angeles," he predicts.

"How many of the small businesses in Whittier (the town at the centre of the LA quake) will be able to survive the interruption of business? How many people will loose their jobs because those businesses are closed?" "An earthquake is a financial disaster as well as a physical disaster," agrees Tom Tobin of the Seismic Safety Commission. Federal estimates of the cost of a massive quake in California run as high as $44bn. The "hidden" costs could double that figure.

The necessity of back up data storage systems was dramatically demonstrated at Ticor Title Insurance Company's Southern California headquarters located just down the road from California Federal in Rosemead. Ticor is one of the oldest and largest title insurance companies in the United States and its Southern California office holds title information on a very large portion of Los Angeles property.

"Our minicomputer system fared quite well, but we lost a couple of disk drives and data storage units," says Steven Bennet, facilities manager. Fortunately, Ticor had a double back up system with both on-site and off-site copies of all its data. "Those computers are our business, we can't afford not to have backups," he explains.

"We were able to replace the hardware and recover data within a matter of hours," he says. "We are also in the process of replacing our computer system with newer models that will be easier to replace or repair in case of problems."

Although Ticor has managed to stay in business throughout the hiatus, it has done so only by taking extraordinary measures and with the strong support of its staff. Three weeks after the quake, the company's "offices" are circus tents pitched *in the parking lot*. The telephone exchange system has been housed in a trailer, while computers and staff occupy the tents. The staff have been issued with morale boosting hard hats with the slogan "movers and shakers" and "We survived" T-shirts. The computers are nightly covered with plastic sheets.

"We thought that we were going to be able to reoccupy the building fairly quickly, so we put up the tents as temporary accomodation," Bennet explains. But in a second major quake, on October 4, the Ticor building, a 1979 "tilt-up" structure, sustained serious structural damage. Repair work is now expected to take four to six months, so Ticor is looking for more conventional accomodation, "hopefully before the rain hits," says Bennet.

WORTH WATCHING

Edited by Geoffrey Charlish

Calling anywhere under the sun

THE UK electronics group Plessey has developed a payphone that needs no phone cable or power line connections.

Intended for remote locations and developing countries, the unit derives power from a solar panel via a battery, and sends and receives speech signals over a radio link which is connected into the national telephone network.

Although typical transmission distances are between 40km and 80km, radio repeater stations, also solar powered, can be used to boost signals if the nearest national network connection point is further away.

The radio payphone can be supplied to accept coinage from over 20 countries and is able to work with telephone instruments from most makers. It is already in use in Switzerland as part of a mobile post office offering full service facilities to remote villages and seaside resorts.

The Swiss are also using the radio system in an emergency network above the Alpine snow line.

Colourful route to graphic descriptions

AN ELECTRONIC display system that can be used for colour page make-up, slide preparation, mapping and similar tasks is offered by Primagraphics of Royston in the UK.

It consists of a camera with a colour filter that allows originals in any format from 35mm slides to an A2 sheet to be scanned and recorded, as separate red, green and blue images, in about 15 seconds. These are held in a memory so that any part of the image can then be displayed on a high-resolution screen and worked on in a number of ways to produce the desired results in terms of shapes and colours.

Subsequently, many processed images can be stored on 12-inch optical discs.

French drive eases mobility problems

TRANSPORT FOR the disabled has taken a useful turn in France where Gateau Automobiles of St Gilles Croix de Vie is making a small car into which a wheelchair can be driven through a rear exit and straight into the driving position.

The car has a floor which can be dropped to ground level and raised when the disabled driver is inside.

Called Handimobile, the little vehicle has a single-cylinder 325cc or 430cc engine which drives the front wheels to give a speed of 30 mph (48 km/hr).

The controls have been simplified to just a steering wheel and a single lever which is pushed forward for acceleration and pulled back to apply the brakes.

For many of the other functions, like operating the wipers or indicators, voice actuation is used. The driver uses specific code words and the system is designed to prevent accidental actuation of equipment by ordinary conversation.

GTE lights way for more information

GTE LABORATORIES of Waltham, Massachusetts in the US, has sharply increased the amount of information that can be sent down an optical fibre. This opens up the prospects of offering a large choice of video, voice and data services to homes and businesses.

One of the problems to date has been that of altering the intensity of light in the fibre rapidly enough, and receiving the changes accurately enough, to give a high bandwidth (that is, allow large amounts of information to be handled).

The GTE team has combined high-speed lasers and light detectors with microwave techniques to allow 60 TV channels or their equivalent to be sent.

Each video signal is made to modulate its own carrier frequency, just as in "off-air" TV where each station can then be tuned by pressing a button on the domestic TV set.

GTE has been able to put the equivalent of several countries' TV stations down one fibre using a technique called sub-carrier multiplexing. This is a technically complex way of combining all the stations into a signal which allows all 60 to be sent without using the very high data rates required when they are transmitted in separate channels.

The signals delivered to homes or businesses could be mixed, and the technique could be used to send, say, 30 ordinary TV, four very high definition TV and 25 high quality audio, voice or computer data channels.

Unlocking security price barriers

ELECTRONIC LOCKS, usually found only on the doors of high security military and commercial establishments, rooms in big hotels and some expensive cars, could soon be protecting ordinary businesses and even domestic premises where there is a special security risk.

Yale, which claims its mechanical locks are on half the front doors in Britain, has launched new electronic models. One of these, the CL70, uses a punched card "key" of the kind sometimes encountered in big hotels.

However, the lock into which the card is inserted needs no wiring back to a central computer, from which the lock is electrically prepared to receive the card that has been issued. The considerable cost of wiring the system and buying a computer is therefore eliminated.

Instead, the user is issued with a series of cards and will normally use the first, the pattern on which will open the door. If this is lost or stolen, only the next card in the series will work because a microprocessor "chip" in the lock can be instructed to compare its memory of the lost card with the new one. Only a successful comparison will open the door.

Yale, part of the Yale and Valor Group, is aiming to sell the CL70 mainly to small hotels and businesses. The cost is expected to be about £90 per lock.

CONTACTS: Plessey: UK, 0705 486391. Primagraphics: UK, 0763 62041. Gateau Automobiles: France, 51 552782. GTE: US, (617) 466 2329. Yale and Valor: London 995 4101.

West Country Galleries/William Packer

Private places & faces

The Unpainted Landscape, an exhibition that has been on tour in Scotland throughout the year, now comes south to the Arnolfini Gallery in Bristol (until November 15) for its final showing. It was organised by the Graeme Murray Gallery of Edinburgh, the Coracle Press of London and the Scottish Arts Council, and takes as its subject the work of artists for whom the landscape is a principal resource and stimulus. Not all the artists involved are Scottish, but most are based in Scotland or make frequent working visits there: the others were invited north for the event.

By now, nearly 20 years after Richard Long's first student walks through the wet grass, there can be little controversy in such an exercise. What is more interesting is to see by how much - even within this show's fairly narrow scope - the genre has broadened into something so various, romantic and authentically expressive since those first theoretical demonstrations and conceptual austerities.

The 14 names on the list are mostly unsurprising and unexceptionable, though the point is stretched a bit by the inclusion of some straight-forward landscape photography, albeit exquisitely refined. The late Raymond Moore, for example, is represented by a suite of images of unkempt verges and byways in Western Scotland that, by his discriminating vision, take on a quality that is almost Japanese in its order and definition. And Thomas Joshua Cooper's barren rockfalls on Skye are as fine in their way as anything of Ansel Adams. Landscape is landscape: but the whole point of a point is to stretch it, and all this work is an ornament to the exhibition.

Hamish Fulton's photographic piece, "Winter Nights," is a more orthodox contribution. With its single image, taken from the summit of Ben Macdui at sunrise at the winter solstice, it combines his habitual, tersely descriptive text that tells us where he was, and when, and what epic walks he was making. Richard Long is represented in his overtly poetical mode by textual work alone: a large triptych that gives first the bare account of his exercise "Ten Days Walking And Sleeping On Natural Ground: A 134 Mile Meandering Walk;" then a roundel consisting of evocative words and phrases, "Trace Of A Kill," "Old Slippery Root," "Mist All Day," "Droppings", "Fox;" and finally the itinerary, set out in a tall column, carries us from Beinn A'Chait by way of such spots as Caochan Dubh, Carn Ealar, Tarf Water and Beinn Mheadhonach, back again to Beinn A'Achait.

David Nash shows the "Elemental Boat" he burned and cut out of a tree on an Ayrshire estate. Roger Ackling shows his delicately sun-scorched wooden fragments, worked by his burning-glass at the places where he picked them up. Andy Goldsworthy has a set of the iceworks he made in the depths of last winter, freezing piece to piece beside the stream. And Chris Drury shows the four careful globes he made, each larger than the one before, from the natural and related materials he found to hand high up on moor and deer forest: a ball composed entirely of deer scats, and one of deer bones interlaced, one of pine cones and finally one of pinewood fragments - as it were pine bones, as he himself puts it.

The exhibition was still being arranged when I made my visit and so I was unable to see the work of all the artists. A useful companion book, with critical texts, essays and further documentation, is published at £9.95.

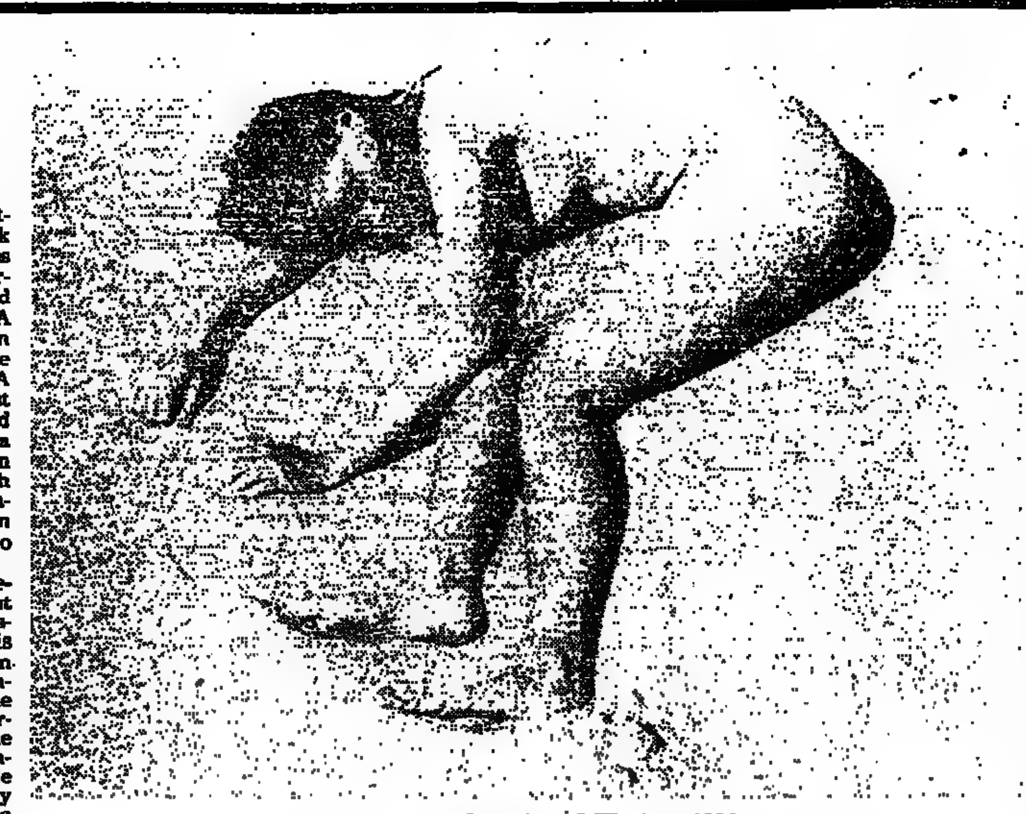
"Dear Scats, Deer Bones, Pine Cones, Pine Bones," by Chris Drury, 1985

A few miles away at the National Centre for Photography, the Royal Photographic Society's headquarters in Milsom Street, Bath, its major autumn exhibition, *Private View*, was even farther from readiness (sponsored by Amateur Photographer: October 31 until January 9). It is glossed as a study of *The Erotic and Exotic in Photography* and is ambitious in its scope, bringing us from such rarities as a pair of tiny, anonymous hand-coloured daguerrotype nudes of about 1850, to the present day by way of manifest curiosities, surprises and delights.

All kinds of things are there: saucy postcards and stereo prints, frankly anatomical studies, artists' figure studies, anthropological and sociological researches, high art and low, symbolism and surrealism, fashion plates and portraits. Some of it is comical, much of it lovely, a fraction disturbing, all of it interesting. But any broad view must either prove frustrating or serve merely as a useful introduction, for by its very nature this is a subject which needs endless sub-division and specialisation.

For all its inevitable dubiety, beset by ancient taboo and present controversy, this nevertheless is a worthy subject; the human instinct of erotic curiosity and private speculation is unlikely ever to be eradicated, least of all by any social engineering. For it is the quality of "The Erotic" in general that intrigues the organisers, and in their choice effectively demonstrate the important point that it has no necessary connection with nudity or explicitly sexual imagery. Beauty is indeed in the eye of the beholder and pornography a state of mind.

Here it is often the portrait that is the more disturbing, with the nude, aesthetically immaculate, remaining dispassionate and aloof. It is the figure fully-clothed that excites the interest, the fashion model that seems at times more brazen than the prostitute, the permanent wave of the model that turns her nudity into nakedness. What we are offered is no unrelieved course of eroticism and titillation but simply a thoughtful exercise in comparison and paradox.



"Nude on Sand" by Edward Weston, 1936

A studio portrait of Jean Harlow by George Hurrell outfaces a quiet, sharp study of the nude by Edward Weston. Ellen Terry at 16, by Mrs Cameron, is the most haunting young girl you ever saw, and entirely proper, and Bellocq's ravaged images of the young prostitutes in the sporting houses of New Orleans are infinitely touching and humane. A charming mid-Victorian girl in her red velvet dress leans low over her book with her bodice a little loose; how could one possibly take offence?

The Centre's other exhibition, *The Poetry of Motion* (also until January 9), is a brief account of the practical researches that Edweard Muybridge made, in the 1880s and 1890s, into animal and human locomotion. By elaborate systems of wires and trips to achieve first the simultaneous and then the closely ordered serial exposure of his plates, he addressed himself methodically to the study of the figure in the round and to the analysis of physical movement. We now take so much of what he discovered for granted that we perhaps forget its importance in its own time. But now we can appreciate his work in a way that perhaps would surprise him - for its unself-conscious and disciplined flickering art, as strangely beautiful in its serial rhythms and gestures as it is useful and definitive.

"Weeping Women" for the Tate

Picasso's "Weeping Woman," for many years on display at the Tate Gallery on loan from Sir Roland Penorse, is to enter the Tate's permanent collection following its acceptance in lieu of *inheritance tax on Sir Roland's* estate.

Turner and the Channel: Themes and Variations c.1845 is the first of a series of autumn exhibitions in the Clore Gallery at the Tate which will focus on various aspects of Turner's work.

Sponsored by Eurotunnel, the exhibition has secured two important loans - Turner's *Seascape: Folkestone* of c.1845 from a private collection, formerly in that of Lord Clark, and the recently discovered "Channel" sketchbook of 1845.

Rostropovich/Festival Hall

Andrew Clements

An image of Rostropivich as the reincarnation of a 19th-century travelling virtuoso, arriving in a town with a trunk full of concertos and hiring a scratch orchestra to accompany him, was not entirely dispelled by Friday evening's instalment of the Rostropvich Festival. The cello-playing was never less than superb, larger than life, technically dazzling; the contributions from the London Symphony Orchestra were often perfunctory.

In Vivaldi's G major Cello Concerto P.120 not even Rostropovich's abundance of enthusiasm could compensate for the lack of period niceties, the ragged ensemble (an experienced band like the LSO really ought to be able to manage more convincingly with the minimum of direction) and the ill-considered balance. Strauss's *Don Quixote*, which called upon Michael Tilson Thomas as conductor, had the basic constituents of a memorable performance - unfailingly eloquent solo playing, ably abetted by the viola of Alexander Taylor, with intelligently shaped and sharply conceived orchestral colouring from Tilson Thomas - but it was undermined continually by smudged and spotted textures, faulty intonation, uncertain wind and anemic string tone. If the LSO cannot rise to the challenge of a concert such as this, one wonders just what will motivate it nowadays.

The novelty was Penderecki's Second Cello Concerto, conducted here by the composer. Rostropovich introduced it in 1984 and he lavishes upon it his prodigal expressive powers, thus lending the work a simulated intensity; the thinness of the ideas is almost disguised. But the 30-minute span of seven linked sections has few striking features: it is most convincing when the gestures are simple - accretions of scalic figures, chords splintered throughout the orchestra - drabbest when the quasi-romantic language is required to generate congested counterpoint.

Rostropovich had begun the concert by dedicating it to the memory of Jacqueline Du Pre. When after *Don Quixote* he was persuaded to give an encore, he offered the Sarabande from Bach's C minor Cello Suite as a deeply moving final tribute, played with limpid, noble tone and peerless phrasing. For many of the audience it will surely prove the most abiding memory of the whole of festival.

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The London Symphony Orchestra's Rostropovich 60th birthday jamboree continued on Sunday with performances of Schumann, Dutilleux and Brahms, all of them calling forth the enthusiasm, passion and - sometimes, by no means always - the fine-detailed musicianship of the great Russian cellist.

Two of the most rewarding aspects of his musical persona, the ability to inspire good new works for a once neglected solo instrument, and the ability to inspire his fellow performers, were both well demonstrated during the evening: the Dutilleux work, *Tout un monde lointain* (1970), is a fastidiously fashioned, beautifully gauged response to the possibilities of writing a modern cello concerto for Rostropovich (though its composer calls it a "poem" for cello and orchestra); in the Brahms Double Concerto the violinist, Anne-Sophie Mutter, was evidently warmed by the example of her cello partner into playing with a good deal more fire than is her wont (without ever endangering her wonderful purity and assurance of technique).

The "active" qualities of Rostropovich's music-making were here demonstrated at their most compelling, and for that one was prepared to forgive, if not forget, the casual air, slovenly passage-work, and loose coordination of the Schumann concerto performance that had opened the concert. The LSO under Michael Tilson Thomas - excellently sharp and sensitive in Dutilleux, quick-spirited and generous (though lacking a properly Brahmsian fullness of bass line) in the Double Concerto - here trailed along with (and on occasion after) the cellist in a manner that shouted "read-through" from beginning to end; Rostropovich souped up the slow movement (adding double-stopped sixths to its final phrases) and brought the finale to an end rather earlier than Schumann himself had done.

Even here the energy and scale of the soloist's playing were of a different order from those of "ordinary mortal" cellists; but on the whole Schumann frail, tender inventions got a bruising.

Max Loppert

Carmina Quartet/Wigmore Hall

Dominic Gill

When *Max Loppert* heard the Carmina String Quartet at the first Paolo Borciani Competition in Italy earlier this year, he reported on this page that they were "one of the most remarkable quartets I have ever encountered; I have no doubt they are destined for greatness." Most of the distinguished musicians on the jury also took that view, although some characteristically Italian politicking behind the scenes ensured that in the event a first prize was not awarded, and that the Camrina received only the second prize.

But no matter. To judge from their meteoric success since the competition, justice has triumphed. And European news, for once, has evidently travelled *faster than usual to this country* - for the Carmina's British debut on Saturday night was played to a sold-out Wigmore Hall. And they are indeed a remarkable ensemble, a young international quartet founded three years ago whose members, barely out of their teens, have studied variously at the Juilliard School, Indiana University and the Menuhin Academy of Gstaad, and whose performances already have the maturity, unanimity and brilliance of players many times their age.

Every performance we heard from the Carmina on Saturday was a delight. The very sound they make has a depth and richness uncommon in quartets of any age; and as an experience in string-quartet texture alone, their playing was sometimes little short of a revelation. The programme included Mozart, Ravel and Schumann - and after a suave and delicate Mozart K589 in B flat, full of lively rhythmic interplay and sparkling points of light, the Carmina's Ravel quartet especially was a masterly change of scene. I loved the breathless high-altitude of flight of the second movement, with its pungent bowed sforzandi and still more ringing pizzicatos - not a single risk was side-stepped.

One of the reasons that their playing is so exciting is that the Carmina take the same risks as an ensemble that four young virtuoso players might take individually. Their account of Schumann's third quartet was an exhilarating chamber-music adventure, balanced on a razor edge: not a single gesture was blurred, or a single challenge avoided. Their performance of ther second movement *assai agitato* (which quartets are famously unsure exactly how to treat, and usually as a result play far too cautiously) was quite the best I have ever heard, blown along by an irresistible melodic wind, underpinned with extraordinary fire and rhythmic verve.

*

The previous evening at the Elizabeth Hall, John Eliot Gardiner conducted the English Baroque Soloists in three Mozart piano concertos, a solo (K238), and the triple (K242) and double (K365). On each occasion Malcolm Bilson was either the soloist, or one of them, and for each performance he was on his driest and most academic-sounding Mozartian form. It was an "authentic" evening, and thus the pianos used were modern copies of late 18th-century pianos. Mr Bilson touches the early pianoforte keyboard as if it were somehow a cross between a museum piece and a knitting-machine. Melvin Tan alone, partnering Mr Bilson and Robert Levin in the triple concerto, played (and touched) his piano as if it were the real expressive instrumment Mozart was enchanted by, and not some purely accidental foreign cousin of the piano we *know* today.

No More A-Roving/Orange Tree, Richmond

Martin Hoyle

It gets harder and harder to separate the audience from the stage in the pocket-sized acting area above the Orange Tree pub in Richmond, especially when the (more or less) realistic actions of brittle middle-class comedy stipulate sitting and dining-room furniture which appears to merge with the front row. The slight self-consciousness of the frontline spectators seems at first to have transmitted itself to the two characters who open the play: a young couple greeting each other after eight years' separation, polite, almost stilted, he holding back in deliberate formality, she obviously bursting to be more demonstrative.

It soon emerges in Sam Walters's beautifully detailed production that this might sum up the play itself: an intriguing rediscovery from the bottom drawer of the late John Whiting. It comes over as Coward astringently rewritten for the age of austerity (it dates from 1946), Lonsdale with heart, and more than a dash of utility-label Marivaux.

The reunion is in fact a threesome. To Angus' riverside cottage come old friends Kirsty and Benedict, the latter now a successful film actor. (Anne Gruenberg's set boasts what looks like a blown-up photograph of Olivier and Merle Oberon in *Wuthering Heights*, but one suspects Benedict's *forte* lies more in romances on Cornish cliffs with Margaret Lockwood.) Angus and Kirsty had an affair which cheerfully selfish Benedict, childlike in his unmalicious egotism and need of love and praise, never realised, while revealing that he himself has always loved Kirsty. The two former lovers discuss the nature of memory and nostalgia ("was it so good, the past?"), while over the course of the country weekend Benedict pieces together their idyll and is aghast. A final twist adds an extraordinary mixture of both cynicism and faith in emotional maturity, not to mention two surprise additions to the company.

Initially the production seems needlessly serious. The flustered little maid from the village, solemnly answering to the name of Willy Yeats, would indicate the funny domestic familiar from Aldwych farces onwards; but the unexaggeratedly comic pace comes into its own with the realisation that these characters owe more to Waugh than Tom Walls.

At the moment Brian Deacon makes slightly heavy weather of Benedict's blithe self-absorption. The character is the most interestingly written in the play, his nicely-observed selfishness giving way to perceptive articulateness. A lighter touch with the dialogue is required. Here both Rob Edwards (Angus) and Joan Moon (Kirsty) are perfect, uttering grave sentiments with gaiety, looking and sounding beautifully in period without being mannered or arch, and epitomising the paradox of the reawakened love which they know cannot continue, that conscious deception "that we both understood must fail to deceive."

As the booted rustic who sprints like a startled gazelle through her domestic chores, Amanda Royle scrupulously avoids caricature, both thrilled and disapproving in the presence of a film star. Most of the cast have acted at the Orange Tree recently, which may explain why the little theatre manages to generate a company feeling.

Certainly, for all its faults, the latest offering provides a tantalising pointer (as Peter Hall, quoted in the programme note, observes) to an intelligent vein of popular socio-sentimental comedy that might have found Whiting in his element.

BBC Symphony/Festival Hall

Richard Fairman

Among the best-known works of Berlioz, the song cycle *Les Nuits d'ete* occupies a special place. The unequal lengths of its phrases and the imaginative effects in the orchestra leave little room for doubt as to the identity of the composer, but the intimate scale of the songs may perhaps be unexpected: here Berlioz, the painter of grand and tragic canvases, is trying his hand (and most successfully too) at a miniature.

At Saturday night's concert given by the BBC Symphony Orchestra the restraint of the music registered even more tellingly than usual. Many of the singers who choose to perform this cycle feel they should rein in their natural (usually operatic) vibrancy, but the mezzo Ann Murray starts from the opposite standpoint. For hers is, by nature, an inward-looking kind of artistry, which needs encouragement to blossom and open out.

In songs which ask for spontaneity, as in the bitter despair of "Sur les lagunes", she inevitably fell some way short of the passion that this music can inspire. But there is still a great deal of pleasure to be had from singing which is, quite simply, so faultless in its musicality and her repeated cry of "Reviens, reviens" in the song "Absence", sung with every fine degree of *p* and *pp*, was only one of the many moments to cherish.

With any other conductor she might have been in trouble, as the orchestra (though used with exceptional delicacy by Berlioz) could easily have covered her. Mark Elder, however, proved to be the most considerate accompanist, drawing from the BBC Symphony Orchestra playing of much the same care and detail that they were later to bring to two works of the sea, Chaikovsky's *The Tempest* and Debussy's *La Mer*.

Of these, the Debussy seemed the less likely to respond to Elder's rigorous control over all aspects of the music-making (every rhythm was gripped tightly in its place); but in the event there was nothing exaggerated about the performance and a good deal to be gained from his quick ear for detail and exact orchestral balance. A pair of brief tone poems by Lyadov - *Baba-Yaga* and *The Enchanted Lake* - completed the evening, a characteristic piece of inventive BBC programming.

Saleroom/Antony Thorncroft

All things American

Malcolm Forbes, whose devotion to capitalism has made him one of the richest men in the world, was offering re assuring advice about Wall Street last week. At the week end he gave some confidence to the art markets by paying $77,000 for a love letter by Abraham Lincoln. Or rather an anti-love letter for Lincoln was painting a depressing view of life in Springfield and discouraging Mary Owens from joining him there. But, ever the gentleman, he left the final decision up to her. She declined his offer.

The letter was part of a Sotheby's sale of Americana which totalled $753,000 with only 3 per cent unsold. Its price was at the lower end of the estimate as was the $82,500 paid by a collector for a page of notes by Lincoln, giving his arguments against slavery. The Virginia Resolves of 1769, a key document in the run up to the American Revolution, sold for $38,500, way above the top estimate of $5,000.

Americans love all things American, at least in the saleroom, and a Chippendale style lowboy made by Thomas Affleck in Philadelphia in the 1770s, was just on target at $165,000. A primitive painting showing the fiore at the Springfield armoury in 1824 sold for $19,800. It was part of the American folk art collection of Mr and Mrs H.John Thayet which totalled $ 379,000.

There was a less warm response for seven incanabula, books printed before 1500, which Sotheby's offered on Friday. Only two found buyers, Caxton's "The Dicts of the Philososphers", the first dated book printed in England, in 1477, sold below its estimate at $330,000, while Wynkyn de Worde's "Constitutiones" of 1496 also went below forecast at $19,800.

Phillips is to sell the personal archive of the tenor Richard Tauber on November 25th. Among the items on offer are Lehar's original manuscript of the song "You are my hearts delight," which carries a top estumaie of £2,000, and a Mickey Mouse cartoon of Tauber and his wife, signed by Walt Disney which could sell for £1,000.

On the same day Phillips is offerng a letter by 9 year old Eileen Lenox Conyngham to her governess penned on the day that the Titanic left Southampton on its first, and last, journey. The little girl writes of the problems in getting the huge ship away. Fortunately she disembarked it at its stop in Ireland. Even so the letter carries a £500 estimate.

Arts Guide

October 23-29

Opera and Ballet

LONDON

Royal Opera, Covent Garden: further performances of the new Nozze di Figaro, conducted by Bernard Haitink, produced by Johannes Schaaf, with a first-rate cast including Claudio Desderi, Thomas Allen, Karita Mattila, Marie McLaughlin and Sarah Walker (240 1066).

English National Opera, Coliseum: This week's ENO repertory consists of lively performances of Sondheim's Pacific Overtures (a brave, worthwhile venture) and Werther, both produced by Keith Warner, and musically excellent ones of The Pearl Fishers (although the production by Philip Prowse is weak and dull) (836 2161).

PARIS

Ballet du Theatre Francais de Nancy - Homage to Serge Lifar: Suite en Blanc in Picasso's decor with Patrick Dupond and Phaedre in Jean Cocteau's decor with Marcia Haydee. Theatre des Champs Elysees (4720 3637).

Otello performed by the Opera de Nancy et de Lorraine conducted by Jerome Kaltenbach in Maguy Marin's production in Maison des Arts Creteil (4547 5353).

WEST GERMANY

Berlin, Deutsche Opera: The Vienna Opera in Wozzeck, an Adolf Dresen production with Franz Grundheber, Dunja Veyzovic, Heinz Zednik, Walter Raffeiner, Philip Langridge and Guenter Reich, conducted by Claudio Abbado. The Paul Taylor Dance Company of New York will perform twice (3 43 81).

Hamburg, Staatsoper: The Magic Flute with Hesoon Kwon, Helen Donath, Ruediger Wohlers and Ralph Houston. Manon Lescaut has Mara Zampieri in the title role. Der Fliegende Hollander stars Simon Estes, Lisbet Balslev and Norbert Orth. Zar und Zimmermann and Le Nozze di Figaro are also in the repertory (35 11 51).

Cologne, Opera: Der Barbier von Sevilla has fine interpretations by David Kuebler, Carlos Feller and Kathleen Kuhlmann. Die Meistersinger von Nuernberg has Theo Adam, Nadine Secunde and Robert Iliosfalvy (2 07 61).

Stuttgart, Wuerttembergisches Staatstheater: Otello brings Bernd Weikl, Gabriele Benackova, Roland Bracht and Vladimi Atlantow together (2 03 21).

Munich, Bayerische Staatsoper: Daphne Evangelatos, Carmen Reppel and Claez H. Ahnsjo take the leads in Ariadne auf Naxos, and Doris Soffel, Julie Kaufmann and Alberto Rinaldi star in Jean-Pierre Ponnelle's production of La Cenerentola. Le Nozze di Figaro has a particularly strong cast with Pamela Coburn, Helen Donath, Cornelia Wulkopf and Hermann Prey. Undine returns to the repertory (2 18 51).

NETHERLANDS

Amsterdam, Muziektheater. The Netherlands Opera in Verdi's Don Carlos directed by Alberto Fassini to the mise-en-scene by Luchino Visconti. Hartmut Haenchen conducting the Netherlands Philharmonic, with Neil Rosenshein in the title role, Susan Marie Pierson (Elizabeth), Harry Peeters (Philip II), and Mimi Lerner (Princess Eboli) (Tue). The National Ballet company in Shamrock, a new work by Carolyn Carlson to music by Gabriel Yared (Wed, Thur) (255 455).

The National Ballet on tour with a Hans van Manen programme of Quintet (Mozart), Five Sketches (Hindemith), Sarcasms (Prokofiev), Twilight (Cage) and Adagio Hammerklavier (Beethoven). Mon in Nijmegen, Schouwburg (22 11 00). Tue in Groningen, Schouwburg (12 56 45).

Scheveningen, Circus Theatre. The Lodz National Ballet from Poland with Amadeus, a dance version of Mozart's life (Tue). The Berjozka State Ensemble from the USSR (Wed) (55 88 00).

Arnhem, Schouwburg. The Chitresh Das Dance Company from India (Tue) (422 741).

NEW YORK

Metropolitan Opera (Opera House): Das Rheingold leads the repertoire, conducted by James Levine in Otto Schenk's new production with Hildegard Behrens, Gwendolyn Brandley, Anne Gjevang, Peter Hoffmann and Franz Mazura. The week also features L'Elisir D'Amore conducted by Ralf Weikert in Nathaniel Merrill's production with Dawn Upshaw, Carlo Bergonzi and Brian Schexnayder; Manon, conducted by Manuel Rosenthal in Jean-Pierre Ponnelle's production with Catherine Malfitano and Ariadne auf Naxos, conducted by James Levine in Bodo Igesz' production with Jessye Norman, Kathleen Battle and Tatiana Troyanos. Lincoln Center (362 6000).

New York City Opera: The week features Tosca, with Elizabeth Holleque in the title role conducted by Alessandro Siciliani in Frane Corso's production, along with the Magic Flute, Madame Butterfly, Turandot and the Rake's Progress. Lincoln Center (870 5570).

Joffrey Ballet (City Center): The month-long schedule has three premieres, including a Robert Joffrey Nutcracker, Nijinsky's Le Sacre de Printemps and Three Preludes by Ben Stevenson set to Rachmaninov, along with Frederick Ashton's La Fille Mal Gardee and nearly 24 repertory favourites. Ends Nov 22. 55th e. of 7th Av. (947 5850).

Feld Ballet (Joyce): Two new ballets, Embraced Waltzes and A Dance for Two, highlight the mixed programmes of this 22-dancer company in its month-long season. Ends Oct 31. 175 8th Av. at 19th St. (242 0800).

FINANCIAL TIMES

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Tuesday October 27

Dislocation in Hong Kong

HONG KONG, as its officials are again insisting after the events of the last week, is unique. It has had a unique relationship with its neighbour, China, for many years. In ten years' time sovereignty over it will be transferred to Peking through a unique process supposed to guarantee its present way of life for 50 years.

It is usually thought that China would intervene in the event of severe internal disorder. There is therefore a strong political dimension to the manner in which its latest financial crisis has been handled.

Nevertheless, it was surely an overstatement by a tired and strained Financial Secretary that "men in green caps" might have been holding Sunday night's dramatic press conference had not stock market trading been suspended a week ago. The uniqueness of Hong Kong should not be allowed to divert questions raised by the crisis.

The decision to close the markets, though the target of widespread criticism, may turn out to have been the most sensible course in the circumstances. The importance of ensuring a marketplace for investors to deal in at all times has to be set against the bankruptcies and other dislocations which might have occurred given the futures market's problems. The people of Hong Kong have been seen before lining up outside banks to withdraw their deposits. In that event the lifeboat might have had to be the size of a supertanker.

Market falls

As it is, the adequacy or otherwise of the lifeboat has yet to be tested. All that can be said so far is that the Government acted sensibly in putting together a force of professionals, with experience of Hong Kong, of corporate rescues and of futures markets, to attack the problem. The size of the lifeboat was set to cope with a certain magnitude of drop when markets reopened yesterday, and will have to be reviewed if they fall further.

What is clear, however, is that there were serious deficiencies in the operation and backing of the Hong Kong Futures Exchange. No amount of capital backing or guarantee can take account of every eventuality, but it should be sufficient to avert the closure of the market at the first sign of trouble.

Hong Kong's special characteristics can be seen in the extent to which it was mostly local speculators who were long of stock index futures contracts - and thus stood to lose from a market fall - and international houses who were short. But Hong Kong has been attempting to present itself as an international financial centre. To be serious about this, it must offer a market in which international players are not asked to bail out local punters who have lost money.

By making such a proposal last week, the Futures Exchange seriously damaged its credibility. This is the second time in the past decade that attempts to build a futures exchange in Hong Kong have foundered, and even under new management it will be difficult to restore the confidence of international players which have helped to give it liquidity.

Local customs

There are lessons for every financial centre. Given the close links which appear to have existed between the stock and futures exchanges - it was potential futures losses which prompted the stock market's closure - the problems underline the need for financially sound, independent futures exchanges.

For securities houses with global aspirations, they are yet another reminder of the perils of imposing an international marketplace on local customs. Though foreign firms account for 70 per cent of turnover, they had no say in the running of the market since they have no representation on the Stock Exchange's council.

If London's celebrations for one year of Big Bang ring somewhat hollow, so too must the festivities in Hong Kong last night for the first birthday of the Unified Stock Exchange - a body designed to lessen the colony's cowboy image. Hong Kong's investors have proved remarkably resilient to huge financial shocks. But however strong the fundamentals of the economy, sudden dislocations which expose weaknesses in the laissez-faire structure of Hong Kong's financial markets must weaken the chances that investors, foreign banks and broking firms will consider the territory worthy of their confidence beyond 1997.

Spain's version of socialism

THE RECENT split between the Socialist government of Felipe Gonzalez and the party's trade union arm, the UGT, has scarcely come as a surprise. Yet it raises a number of issues about the nature of Spain's socialist government which in turn cannot be divorced from international political trends.

The success of Mr Gonzalez's government has been to seize the middle ground of Spanish politics where the vast majority of votes lie, and to follow a pragmatic form of social democracy. His task has been made easier by the disintegration of other political parties, allowing the Socialists a broader consensus grouping whose ill-defined philosophy centres on modernising Spain. In terms of economic policy this has meant the pursuit of an orthodox fiscal and monetary approach which his economic team has correctly judged to be the best means of bringing the Spanish economy into line with the rest of Europe.

This is not socialism as either purists in Spain or the rest of Europe would traditionally recognise. Nor does it fit easily within the ideological framework of a party that formally calls itself a socialist workers' party. Under these circumstances, the relationship became increasingly strained between the government and the UGT, the official trade union arm of the party whose leaders sat on the party executive and in parliament. The UGT felt the government was betraying party ideals while the government treated the trade unions simply as one sector in society, not as privileged interlocutors.

Wages policy

In Spain trade unions are linked to political parties and are subservient to them, in contrast with traditional practice in Britain.Thus the UGT has been in a weak position to remind the party of its declared class role. The UGT leadership in this respect deserves credit for waiting so long to bring these contradictions into the open without destabilising the government. Certainly when Mr Gonzalez first came to power in 1982, the support of the UGT, the dominant trade union federation, was essential both to consolidate the image of a responsible socialist government and to pursue austerity policies which added to the already high level of unemployment.

However, this alliance had its limits, especially when the UGT had to protect its flank from encroachments from the rival communist-controlled trade union federation, the CCOO; and these limits have now been reached. The UGT is no longer willing to give a blanket endorsement to the government's wages policy and the parliamentary link has been cut with the UGT leader, Mr Nicolas Redondo, resigning his seat.The UGT is now talking of making common cause with its former rival, the CCOO. In the past their rivalry has divided and weakened the trade union movement.

Welfare state

Whether such rivalry will now disappear is open to doubt; but in any case the freeing of UGT from its umbellical link with party and government is a healthy developent. Spanish trade unions have the lowest level of affiliation in Europe and they need to define their role more clearly.

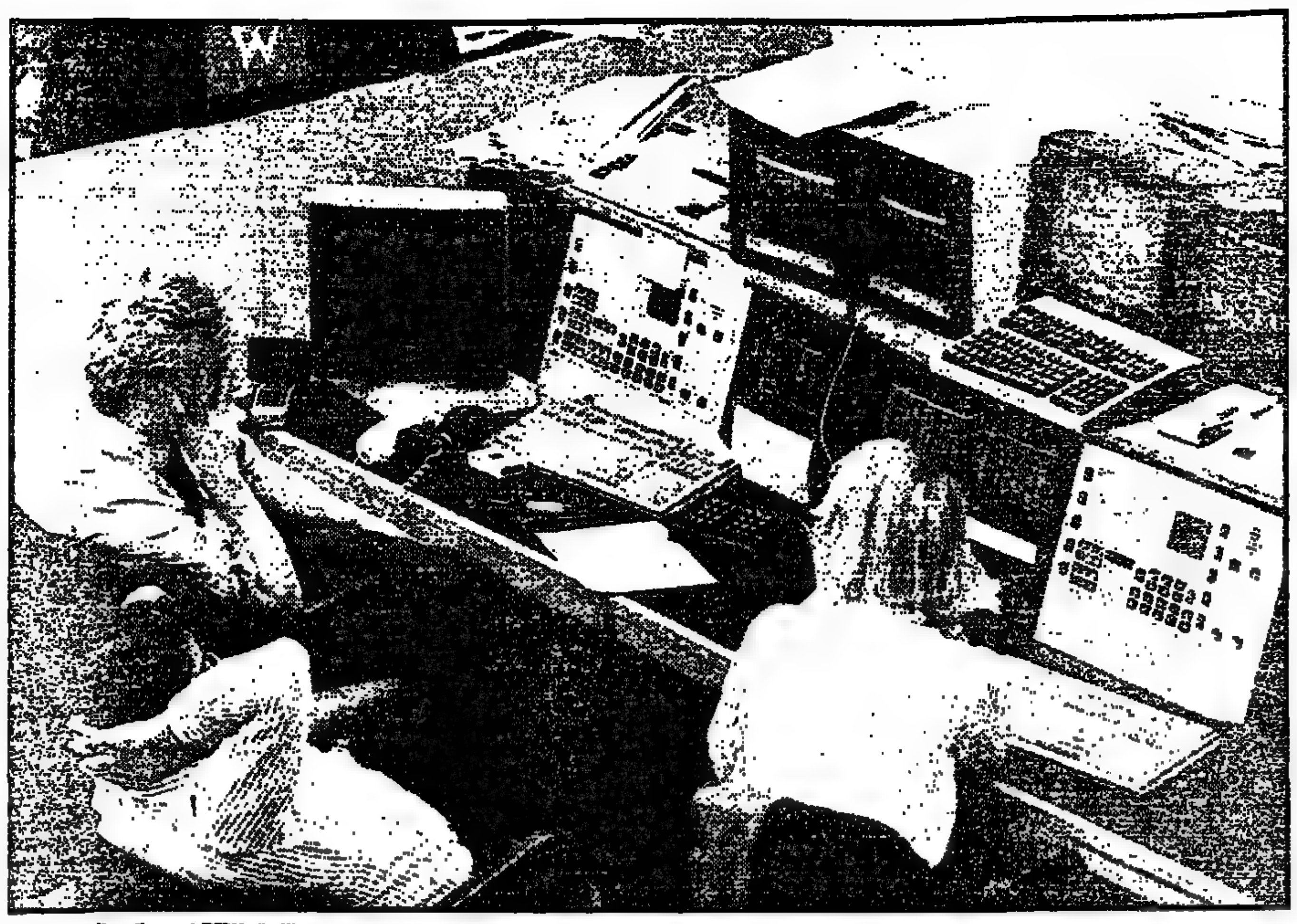
They were an essential support in the structure of Spain's democracy; but such a role is now superfluous. Since their legalisation a decade ago their control by the Socialist and Communist Parties has distracted them from their proper function of representing employees at the workplace. As in other parts of Europe, a more arm's length relationship with the parties should be in the interests of trade union members.

The split should also force the Spanish Socialists to define themselves better.The great socialist change that Mr Gonzalez promised back in 1982 has been something more prosaic.The egalitarian ideals of the welfare state have been modified in practice.

Yet if old-fashioned cloth-cap socialism is on the way out, this does not obviate the need for Mr Gonzalez's party, like socialist parties elsewhere, to redefine its goals and ideals. The disenchantment of the trade union wing is a reminder that the process of redefinition is far from complete.

A year after Big Bang, BZW embodies the challenge the City faces. **Hugo Dixon** reports

There is a world elsewhere



The trading floor at BZW - "still not enough buzz"

WHEN BIG BANG was first proposed three years ago, the idea was to shake restrictive practices out of the UK securities markets. In the process, the City has acquired a wholly new form of financial institution - an amalgam of bank stockbroker and market-maker - the investment bank.

One of the most ambitious of these is Barclays de Zoete Wedd, the subsidiary of Barclays Bank, which not only represents the City in its new form but also embodies Britain's hopes for a place in the global financial marketplace, where well-capitalised and multi-skilled groups are expected to prevail.

With Big Bang one year old today, BZW has proved that the investment banking idea can work, even as others, such as Midland Bank and Lloyds Bank, have retreated from their early Big Bang ambitions. BZW has not only made a profit; it has won respect, coming third in the FT poll of institutional investors published this week. But close observation of BZW also illustrates another point; that merging the different City cultures is proving far from easy, especially at a time of wild gyrations in the world's stock markets.

The Barclays route into investment banking was, compared with that chosen by rivals like National Westminster Bank, an expensive one. The foundation stone was Barclays Merchant Bank, a second-rank merchant bank developed as an appendage to the clearer since 1972 and staffed largely by personnel seconded from its corporate division. To this it added, at a cost of more than £100m, de Zoete & Bevan, one of London's top 10 brokers, and Wedd Durlacher, one of only three jobbers that counted pre-Big Bang. The three were put together in Ebbgate House, north of the Thames close to London Bridge, and called Barclays de Zoete Wedd - BZW for short. The story of the last year has been one of attempts to reconcile the different cultures of broker, jobber and merchant banker while the functions of all three have been changing dramatically.

Integrating jobber with broker in UK equities has been the top priority. This is the heart of what Big Bang is about and where BZW, given its ingredients, was expected to excel. But making the coarse-humoured Wedd jobbers and slick de Zoete brokers, who had previously specialised in outwitting one another, work together has not been easy. "We were enemies," says one female jobber.

The first step was to put them all in the same room. In keeping with their position as the BZW flagship, this is a show-piece: a spacious trading floor, decked out with row upon row of the latest electronic screens, at the centre of which is a funnel carving out a huge slice of the floor above. At one end of the room are the market-makers, as jobbers are now called. At the other are the salespeople, the new name for brokers. Round the edge are the analysts.

The seating arrangement has not been entirely successful. "There is not enough buzz," says Howard Coates, head of research. Salespeople and market-makers specialising in the same sector do not work closely enough together and analysts are still too cut off from the market-makers. "Our capacity to lose money can be huge if our market-makers don't know what is going on," he adds.

Therefore the trading floor is about to be reorganised. In the middle, under the funnel, will be the general salespeople and round them, organised by the sector they specialise in, will be market-makers, a growing breed of specialist salespeople and analysts. Specialist salespeople will be planted for short periods in the midst of the generalists to pass on some of their expertise and everybody will be crammed closer together to make sure that analysts' ideas and market rumours flow rapidly round the room. De Zoete and Wedd will intermingle thoroughly.

The process will be reinforced as more and more young graduates - 36 have been hired this year - are brought in. Such recruits, educated typically at a public school, followed by Oxford, Cambridge, Durham, Edinburgh or Bristol Universities, come out of one stable. Most are alert, clean-shaven, wear red-and-white striped shirts and are very ambitious. They are being slotted into all areas of the operation and, since they have no previous loyalties, a more uniform culture is emerging. In all BZW has a payroll of 2,600.

Integrating jobber and broker is also changing the way business is done. Under Stock Exchange rules, brokers can only execute clients' orders with an in-house market-maker if it is offering the best price in the market. However, BZW market-makers will usually be prepared to match the best price for one of their own clients, even if they are quoting a worse price to the outside world, and so most deals are completed in-house. As this relationship becomes closer, brokers that have avoided market-making will be squeezed out, says Simon de Zoete, one of two members of the de Zoete family who still work for the firm. Clients will be able to get a better price by approaching BZW's salespeople or market-makers direct than by going through an outside broker. "We are more prepared to commit capital to our clients than to our competitors," says de Zoete.

Equities may be BZW's flagship, but it is not the whole fleet. Progress in building and integrating the rest of the operation has been patchy.

On the bond side, for example, the Wedd gilts traders are now working smoothly with de Zoete salespeople, although the market has been so poor this year that they have not been able to turn in much of a profit. But the newcomers, who have been brought in to build up Eurobonds, US Treasury securities and teams to trade bond and foreign exchange swaps, still feel outsiders. Earlier this month, the swaps team felt the need to send a circular with the title "Success sweeps Barclays into swaps top 10" to remind colleagues of its existence. It will be some time before the Eurobond team is able to do the same - so far this year it has lead-managed only two issues, one of them for Barclays.

> Many of the staff in the banking division still seem closer to colleagues in the clearing bank than to BZW

Similarly, the corporate finance department has made a big effort to pull itself into the first division. This has been done partly by forging closer links with BZW's securities arms - the ability to distribute securities and a feel for the market has added to the services it can offer clients - and partly by strengthening the department. A plan to buy the whole of Hill Samuel's corporate finance department fell through earlier this month, but BZW got part of it free when it poached 12 members last week.

Corporate finance has also distanced itself from its unglamorous origins in Barclays Merchant Bank. "I wouldn't have joined if I hadn't known it was about to become BZW," says one young financier who was hired just before the merger. He chose BZW because he thought there would be opportunities to rise faster than in a better-established corporate finance department. His eventual ambition is to run a large publicly quoted company.

In the banking division, by contrast, the mentality of the clearing bank still lingers. Many of its employees are still on secondment from Barclays and give the impression of being closer to what they call "my colleagues in the clearing bank" than to the rest of BZW. Part of the explanation could be that their salaries are closer to those of the clearing bank than to the hot shots of BZW.

If much remains to be done in knitting together Barclays, de Zoete and Wedd in London and making everybody feel they are working for one BZW, even more needs to be done to build up the international side. Having a large share of the UK market, BZW realises, is relatively insignificant from a global perspective.

The first element of BZW's international strategy is to carve out a larger home base by putting "our foot on a big chunk of the whole of Europe," says Howard Coates, the research head. This will be done both by acquisition - BZW is in discussions to buy a Paris stockbroker - and by building on the Barclays heritage. BZW has already taken over Barclays' Amsterdam stockbroker and next year the parent's small securities businesses in Milan and Madrid will also be handed over.

The second element is to make up for lost ground in Tokyo, where BZW has been a late developer and has only just received its securities licence. It hopes soon to become a member of the Tokyo stock exchange.

The final element will be to do something in New York. Just what, though, is the trickiest question, as BZW is stymied in that arena by its association with Barclays. Under the Glass-Steagall legislation, enacted as a result of the 1929 Wall Street crash, banks are not allowed to own corporate securities. That means BZW is prevented from engaging in most types of securities business except trading US Treasuries.

One answer, being pressed by a lobby within BZW, is to persuade Barclays to divest itself of its US banking business. "It is in the group's interest to sell off the retail network in the US," says Nick Sibley, head of international equities. The proceeds could then be used to buy a medium-size Wall Street house.

But there seems little chance of this heresy being accepted by Barclays, as it would mean sacrificing its international corporate banking strategy. And the campaign to repeal Glass-Steagall has no doubt been set back by the stock market crash, so BZW seems likely to be pursuing its international expansion with a major handicap. "We're running this business on the basis that we're the wrong side of Glass-Steagall," says Sir Martin Jacomb, the BZW chairman who is also deputy chairman of the Barclays group.

To fund its expansion, BZW will need extra capital from its parent - several hundred million dollars over the next five years, says Sir Martin - for which it will have to demonstrate the right earnings power.

When BZW produced profits of £25m in the first half of this year, equivalent to an annualised pre-tax return on capital of 20 per cent, despite spending many millions on expansion, it seemed that getting extra cash would be no problem. It will be a harder job, however, to explain the £20m or so its market-makers lost in the first day-and-a-half of last week's crash.

BZW has had to learn clearing bank diplomacy. After Lord Camoys, its chief executive, suffered a stroke earlier this year, Andrew Buxton, vice-chairman of Barclays and possibly its future chairman, was brought in to fill the post temporarily. When he goes back to the clearer, says Rex Cooper, BZW's deputy chief executive, "he will be well educated in the peculiarities of BZW."

He will also be even more keenly aware both of the strengths BZW already has and those it will need to develop if it is to make it as a force on the global stage for which year one of Big Bang has helped prepare it.

New brokers in the market

It may be hard to believe, but it is true nonetheless. Yesterday as global equity markets plunged again, a plucky band of seven analysts and salesmen launched a London stockbroking house.

A subsidiary of Amro, the Dutch banking group, the new broker is called Amro International Securities (AIS), and yesterday it became a member of the Stock Exchange. Its managing director is Tim Readman, formerly with Merrill Lynch, and a master of understatement as he surveyed the London stock market scene.

"The events of last week were a bit more dramatic than we planned," he said. "This is an interesting moment to start."

To be sure, AIS is starting small, in offices in Devonshire Square, and its risks will be slight. "We don't see any point being a market-maker until the blood has ceased to flow," says Readman.

That, of course, could be quite a long time. AIS is starting purely as an agency broker, specialising in British engineering stocks, with a team of analysts led by Paul Burgess, previously with Albert E. Sharp, the Birmingham broker. But it expects to announce shortly the formation of an electricals/electronics team, and it hopes to double its three-person institutional sales force by Christmas.

But why start during the crash of '87, when the market is alive with rumours of long-established brokers and traders about to go belly-up?

One reason, says Readman, is that this is the anniversary of Big Bang.

Then again, as he put it in the stilted language of a press release: "Despite last week's volatility, we believe that there is an important role in the market place for a niche agency broker with a reputation for excellence in research."

Or, as he explained more colloquially: "In times like these, good advice is a good thing. And quite honestly a lot of stocks are a lot cheaper than they were a week ago.

Men and Matters

"There are a number of things that are worth buying now - provided you have your eyes wide open."

"I owe you how much? I'm a broker not a jockey, you know."

Out of space

Not a few market-watchers last Thursday had a false sense of relief upon arriving at the office in the morning and seeing on Topic's page 700 that the Tokyo Nikkei average had fallen 120 points. Actually, of course, the point fall was 10 times that. The final digit was lopped off.

Yesterday morning both Hong Kong and Tokyo were faithfully registered with their thousand plus point falls, in Tokyo's case because a thoughful operator keyed in the closing index with just one digit after the decimal, thus leaving room for the full four-digit fall.

The SEAQ page 200 is still going to have trouble if individual share price changes start bouncing over two digits. Charlie Kusoc, SEAQ service manager, says nothing can be done for now, since the extra digit cannot be fitted in if all the stocks of the FT 100 share index are to be shown on the 40-column screen.

The planned introduction of an 80 column service for company news, however, may provide the answer should, heaven help us, daily three-digit price fluctuations become common.

The FT has been similarly plagued recently, with the electronic market index board in front of Bracken House last week unable to reflect the big swings in the FT 30 share index or the 100 share index. The display board will be reprogrammed.

Silent majority

Labour's anger yesterday over the reluctance of Nigel Lawson, Chancellor of the Exchequer, to volunteer a parliamentary statement on the turmoil in the international financial markets reflects the suspicion on the Opposition benches that, in crisis situations, Conservative ministers tend to find rules and conventions working in their favour.

Tam Dalyell clearly had this in mind when he urged the Speaker, Bernard Weatherill, to study the precedent when - unlike yesterday - just before the devaluation of the pound in 1965, the then Labour Chancellor, James Callaghan, was forced to respond to a private notice question about the run on sterling.

That question was asked from the Labour backbenches by Robert Sheldon. Ritualistic forecasts by Callaghan that speculators would get their "fingers burned" could not disguise his resentment at being required to make a public statement at such an inopportune time.

The Labour Cabinet of the day felt all the more aggrieved because it was the first Labour MP to hold the office of Speaker - the late Horace King - who permitted the question to be put.

As a footnote to history, Sheldon was among those who protested at Lawson's reticence in the Commons yesterday.

Three stages

A rare bird has just flown in and out of London: Harald Mandl is in charge of the finances of one of the larger Austrian engineering concerns; he is also a novelist of some repute in the German-speaking world.

Mandl's company, Waagner-Biro, claims to be one of the world's leaders (along with a British competitor,Telestage) in the esoteric business of designing and building the box of tricks that goes into the stage-shifting machinery of an opera house. Waagner-Biro's work includes the Sydney Opera House and the opera house now building in Genoa.

But during his brief visit to Britain, which was sponsored by the Austrian Institute, Mandl was not selling stages. He came to read from his novels to audiences at Oxford, Swansea, Nottingham and London. Two 800-page volumes of a trilogy are out so far.

Mandl also lectures at several Austrian universities and has been invited to do so in Budapest. The subject: corporate culture, which he defines as that raison d'etre for a business which does not show in the balance sheet. One wonders what the Communist-reared students in Hungary will make of that.

Cover note

Only partly in jest, British institutional investors have warned John Woodhouse that they may run for cover the next time he comes to brief them about Sysco Corporation, the largest US food distribution company, of which he is chairman and chief executive. His last London visit coincided with the US bombing of Libya...and he's back again this week.

Observer

Letters to the Editor

All is not entirely well - Labour's view

From the Opposition Treasury Spokesman

Sir, - Malcolm Rutherford's sweeping dismissal of Labour's economic analysis last Friday was breathtaking in the falsity - and arrogance - of its two basic assumptions: first, that all was basically well in the current UK economic world; and second, that Labour was inadequately equipping itself to address the realitites of this more or less prosperous and successful situation.

All is not entirely well. The Chancellor - in an unconscious echo of President Hoover in 1929 - told us last week that the fundamentals of the economy were sound. He's obviously turned a blind eye to the July and September money supply figures (once the lynchpin of Thatcherite policy), which show borrowing at a record level - with little evidence that the borrowed funds are being used for wealth-making investment. He's conveniently forgotten our appalling record in training, and in research and development, both of which are key factors in future growth prospects. And above all, he has failed to recognise that 3m.unemployed people represent not just a social disgrace but a grotesque waste of productive economic resources as well. None of these factors is "sound".

Of course there have been some elements of modest success in recent years, and it would be foolish not to admit it. Output is up, having just managed to reach again its 1979 level. Indeed, if you compare any economic factor with the savage low of 1981, deliberately induced as it was, you will record an improvement. Unemployment *is now inching downwards*, far too slowly. Inflation, though higher than elsewhere, is not set to rocket. Considerable sections of the population are better off now than they were six years ago. All of this is welcome. But none of it justifies the economic hype of success that has characterised government pronouncements since the start of the year, and which seems to have been swallowed in its entirety by Malcolm Rutherford. It is as foolish and as reprehensible for a government artificially to "talk up" an economy as it is for an opposition to talk it down.

Three underlying economic factors, however, are of crucial importance; and these form the heart of our critique of government failure, and our establishment of alternatives. First, the fact that increasing prosperity has missed nearly half of Britain's population. Not just the unemployed, but those on supplementary benefit, those in poor housing, those on a basic pension, and those - many of them women workers - in low paid jobs: they have all missed out. A truly successful economy, with a burgeoning national prosperity based on real accretions of earned wealth, would be spreading those benefits a lot more widely than our economy is currently doing. It requires, however, a fairer approach to taxation and public spending policies, and a different *vision of the untrammelled* operation of the market, in order to achieve that. Instead we have a government whose policies have deliberately engendered disparity, not sought to ameliorate it.

The second underlying factor is one of international scope: the crucial need for the governments of all seven leading western economies to co-ordinate their efforts in order to avoid a US-led recession. With the continuing imbalance between the United States, and West Germany and Japan, the Reagan budget deficit, and the blithe inaction of the Washington administration, it is small surprise that Wall Street got the jitters. Yet the only bit of real economic co-operation between nations so far has been the Louvre accord, and even that - inadequate as it was - is now creaking under pressure. The only really calming voice in the maelstrom of last week was that of Alan Greenspan. Where has the leadership gone that should be bringing together the Group of Seven, agreeing co-ordinated policies of expansion where required, setting out the ground rules to avert recession? Not a word from the "Bruiser Lawson" whose magical punch Malcolm Rutherford so admires.

The third factor has been sharply highlighted by the events of the past week. In recent years there has been plenty of money available in the British economy, but *far too little* of it has been going into long-term productive investment. Too much has been concentrated, and still is, on asset purchase not based on production returns but on the speculative prospect of increasing value. The recent CBI report on investment was unconvincing in some of its conclusions, but it did highlight the dual responsibility of industrial management and of City finance to plan investment strategies and look to future wealth creation. Britain has a poor record in this, and more than anything else it's here that an improvement is required if we are to have any prospect at all of prosperity in the twenty-first century.

How inaccurate, therefore, of Malcolm Rutherford to award the victory to Bruiser Lawson before this parliament's battle has even passed the first round. The economic debate between Labour and the Government is indeed going to be central to our political life in the next four years. But it's not one the Conservatives are going to win.

Chris Smith
House of Commons, SW1

Future dividend levels

From Mr P Thornton

Sir, - The recent significant fall in Stock Exchange levels has prompted comment in some quarters that this may adversely affect the financial position of pension schmes and could even invalidate the results of recent actuarial valuations where reduced levels of company contributions or repayments to the company have been implemented. I would point out that this is not generally the case.

In valuations of pension schemes the assets should be taken into account on a basis which is consistent with the value placed upon the liabilities. This is normally achieved by projecting the anticipated future flow of money into the scheme from the assets, for comparison with the future outgo on benefits. Funds are therefore much more concerned with *the expected future flow of income* by way of dividends than with the current market values of ordinary shares. It follows that a fall in market values is of serious concern only if it reflects a reduction in expected future dividend levels, or if the terms on which the assets of a declining fund will have to be realised are worse than anticipated.

The recent fall in market levels does not at this stage appear to have arisen as a result of changed perceptions as to future dividend levels and accordingly should not invalidate the results of recent actuarial valuations. Schemes would however be adversely affected if the fall had some knock-on effect which ultimately led to reductions in dividend levels.

P N Thornton
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Student needs in Hong Kong

From Mr M Schwartz.

Sir,- I found your survey "Hong Kong as a financial centre" (October 14) very interesting and, as usual, well done. In your reference to the need for Hong Kong's manufacturers "to 'graduate' from labour intensive to capital intensive, high technology industry", however, you failed to note that a very important element in this process is currently missing in Hong Kong - a strong technical university with close links to industry.

For many Hong Kong nationals studying abroad, the boom of the last decade or more created *many exciting new job opportunities* in Hong Kong. The lure of remaining in the countries in which they studied - the US, Canada, Australia - was always *strong, but the dynamism* and rate of improvement in Hong Kong was enough the overcome this allure and draw students back home.

But the prospect of political change is now driving Hong Kong residents elsewhere. Students studying abroad are no longer so keen to return home. If Hong Kong cannot develop a technical university which attracts students now studying abroad and draws students from other countries as well, it will *face a severe brain drain* which will quite rapidly erode the competitiveness of Hong Kong's increasingly sophisticated manufacturing sector.

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Autonomy of universities

From the Director,
The Shakespeare Institute

Sir, - It is sad to see that there is still *little or no prospect of an* informed discussion of the autonomy and responsibilities of the universities.

Mr Kenneth Baker has let it *be generally known that he is* not to be deterred by opposition. The Efficiency Report has not provided an apt basis for reflection, and it is in practice proving *very difficult* for academics from faculties of arts and humanities to find a platform from which to challenge the extraordinary confidence of those who believe that knowledge is meant to be competitive and education meant to be consumed.

The money-men who were once whipped out of the temple have now been whipped back in again, and it seems that the clamour of the market-place has made them deaf to what Keats once called the voice that 'whispers results to one's neighbour.' *Some of us are therefore* ready to shout a bit louder in the hope of sustaining not our economy merely, but also our civilization.

We are much in need of states and patrons in the best Renaissance tradition who are ready to allow values and perspectives within our centres of independent *thought (including our* best newspapers) which are very different from those which make money in the market-place without necessarily creating wealth *in the community. Is* it not possible for the Financial Times to find scope for something other than a school debate in which quick-on-the-draw speakers talk for victory?

(Professor) Philip Brockbank,
Stratford-upon-Avon.

Severn barrage inquiry

From Dr D. Elliott

Sir, - Writing on September 22, David Fishlock suggested that "the Severn barrage inquiry will inevitably range more widely" than the Sizewell B public inquiry., What barrage inquiry? The Severn Tidal Power Group, the industrial consortium proposing the project, has made it very clear that if this is to be a privately funded project, as the Government wants, the private investors would not accept the delay and cost of a public inquiry. Instead STPG proposes a Channel tunnel style parliamentary enabling Act, together with local consultation. And this for what would be Britain's largest single civil engineering project - with very significant local and national implications. But an alternative procedure now presents itself.

If the CEGB is privatised, then it could be that the already announced *public inquiry on* the proposal by the CEGB for a pressurised water reactor at Hinkley Point will have to be rethought: for who would be the proposer then? Perhaps it might make sense to have a planning enquiry which looked at both technologies since they will clearly impact on the same region and have interactions with national level energy plannning. If competition is so important to the Government, wouldn't it be useful to have a comparative economic, social and environmental assessment of these, and possibly other technical options, with an inquiry providing a democratic forum?

D A Elliott,
Network for Alternative Technology
and Technology Assessment,
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Walton Hall,
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Measure of progress

From Dr M Cross.

Sir,- Over the last few days (October 17 and 19) Philip Bassett, your Labour Editor has described the Confederation of British Industry's findings on pay and productivity. For those *of us involved in trying to raise* productivity and introduce changes in working practices it makes depressing reading.

Paying for change per se is *not effective in the long run.* In fact, it is close to being contradictory to the principles of the total quality programmes being adopted by many major manufacturers. Far more impressive if companies can demonstrate how quality, safety, unit costs, waste, asset turnover, and customer service (both internal and external) have improved over the last five - ten years. Underlying the improvement in these six key measures is the need to raise the competence and contribution of individuals and teams. Thus another key measure of progress should be the investment in people through on and off the job training and education.

(Dr) Michael Cross,
37 Balmain Close,
Grange Road, W5.

Banks' debt provisions and the negotiating table

From Mr H-J Ruff

Sir, - There is no need for banks to feel that the issuance of guidelines on provisions is a point of weakness. Nor is there any valid justification for the belief that if they are to imposed at all then the details must remain *strictly* confidential and inestimable by debtor nations. On the contrary, the western financial community can summon strength from *well-publicised provisions if it* views the situation positively and not negatively as is currently the case.

A more positive approach comes by considering exactly what it is that brings debtor countries to reschedule rather that renege. In the final analysis it is their desire to maintain access to western capital markets. At the same time, what above all else brings bank creditors to those same negotiations is their need to recover the debt itself. While desire is a point of relative strength, need is a source of weakness in negotiations. Conventional wisdom therefore has it that the balance of negotiating power lies in favour of debtor countries since they merely desire access to capital markets whereas the banks need to recover their capital *if confidence is to be maintained* in the financial system as a whole.

The balance of power, however, can be redressed if the following is borne in mind. Banks that are able to write off their debt have the choice of whether or not they wish to negotiate with the *debtor. This luxury of* deciding whether or not to step towards the negotiation table is always a more powerful position to be in than the debtors who feel bound to negotiate in order to maintain access to funds.

While all this may be generally true for the banking community as a whole, not all banks are in the enviable position of being able to afford to write off *a large part or all of their non-*performing sovereign loan portfolio. Any bank not able to do so has recourse nowadays to the secondary debt market to offload its portfolio. Measured in terms of minimising its losses, this may be infinitely preferable to rescheduling debt and being forced to provide new money as a concomitant part of the package.

An *ancillary benefit of* this process may also be the maturing of the secondary market for debt. If the ability to make provisions is regarded as a sign of strength, then those banks best able to afford to do so (ie the more profitable) could become market-makers by taking on poor performing debt for their own book instead of simply being traders or brokers in the secondary debt market. Prices may even edge upward to the *benefit of all concerned* as these newly-established market-makers compete keenly to consolidate their position. This creates an impetus to the maturation of the secondary market.

In due course this process may strengthen the position of the banking community as a whole vis a vis debtors. As exposure to these problem countries would become more concentrated in the hands of those banks best able to write off the debt, it will enable those banks, who invariably make up the negotiating steering committees, to negotiate from a stronger position.

Taking everything into account, the regulatory authorities may as a result place greater reliance on (secondary) market determined values of such debt when formulating guidelines for provisions than is currently the case. *At present* the secondary market is commonly regarded by many regulatory authorities as being too thin to provide a significant input in determining the level of provisions. A more mature secondary market would provide a more natural and durable set of values. The more arbitrary committee-made values generated by the various schemes so far developed by authorities around the world appear united *only in their non-conformity.* Indeed, banks who operate internationally would no doubt welcome being able to play according to just one set of rules written by the market and not the rule-makers.

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FOREIGN AFFAIRS

Reaping the grim harvest of power

America's search for a leader to restore its pre-eminence is bound to fail, says Edward Mortimer

VISITORS to the US have often commented on Americans' proneness to rapid and extreme changes of national mood: for instance, from the enthusiastic pursuit of Kennedy's New Frontier to the deep, guilt-ridden trauma of the "Vietnam syndrome", and back to the bombastic self-confidence and self-righteousness of the middle Reagan years.

We are now certainly well down the far side of that particular hump in the roller-coaster. Looking back, one can see that the crest corresponded pretty closely with Mr Reagan's re-election in November 1984. Within four months of that, the dollar reached its peak. Anxieties *about the trade gap,* the federal deficit and the farm crisis nibbled slowly but remorselessly at the edges of national morale through the ensuing year and a half, and then - just a year ago - two events coincided to bring the Reagan era to an abrupt and premature end: the Republican loss of control of the Senate and, of course, Irangate.

After that the dollar continued to fall without bringing any visible relief to the trade balance, while hopes of balancing the federal budget through the Gramm-Rudman process became mired in the irreconcilable conflict of priorities between President and Congress. Earlier this month, the defeat in Congress of Judge Robert Bork's nomination to the Supreme Court showed that not only the President himself but the conservative values he symbolises have lost their hold on the centre ground of public opinion.

Last week the bad news finally reached the stock market. Ironically, the one remaining hope of restoring some lustre to the Reagan escutcheon before it is hung up in the hall of fame lies in the prospect of a new detente or entente with the Soviet Union - and Mr Gorbachev, no doubt sensing this, is playing hard to get.

Yet what is striking is how few even of the President's bitterest opponents seem at all cheered by this turn of events. Reaganism is dead, but there is as yet no bright new alternative "ism" to take its place. The public desperately wants one, as the brief but intense flurry of excitement provoked by Colonel Oliver North during the Irangate hearings clearly showed. But they are not getting it.

Certainly not, in any case, from the political process. It would be hard to find any American just now, outside those actually employed by the various *campaigns,* who would claim to feel inspired by any of the presidential candidates. Some white liberals would tell you that the Rev. Jesse Jackson is an *exception to that.* But quite *a few* blacks would tell you they feel they have to support him in spite of, rather than because of, his personal qualities - the latter being more and more obviously those of yet another opportunist politician. In any case, no one supposes he can actually win the Democratic nomination.

Once upon a time, people were inspired by Gary Hart. Then came the destruction of his campaign by a sex scandal, followed by the revelations of Senator Joe Biden's plagiarism and the damage done to a third Democratic candidate, Governor Michael Dukakis, whose campaign manager resigned after admitting he had supplied the New York Times with the famous "attack video" juxtaposing Mr Biden's speech with the one by Mr Neil Kinnock from which it was copied. And then - just in case anyone thought that Republicans, or clergymen, were immune - it turned out that the Rev. Pat Robertson had lied about the date of his marriage.

All this has had a deeply demoralising effect. It is now fashionable to bewail the demise of American "statesmanship" and to regard the American political system as profoundly sick.

Needless to say, there are plenty of rival diagnoses on offer. It may be the fault of the media, for concentrating on candidates' private lives at the expense of the issues. Or it may be the change in the rules of the Democratic Party in the early seventies, which took the choice of presidential candidate out of the traditional smoke-filled room and institutionalised the present gruelling obstacle-course of primaries. Or simply the amounts of money candidates are obliged to spend in order to keep up with each other. Or even the separation of powers itself, which makes it so difficult for any president to deliver what he has promised and, in particular, is now held to prevent him from pursuing a coherent and decisive foreign policy.

No doubt there is something in all of those explanations. I suspect, however, that the real trouble derives not from any defect in the political system - all political systems have their defects, and the American one for all *its* idiosyncracies has worked better than most over the past two centuries - but from the nature of the problem it is being asked to solve.

That problem was admirably posed by Paul Kennedy in the August issue of the Atlantic Monthly, entitled The (Relative) Decline of America. The essence of it is that the US is still struggling to fulfil a formidable range of global commitments which it undertook in the years immediately after the Second World War, at a time when it produced nearly half the world's total output and had a massive trade surplus, with the result that it controlled three quarters of global gold reserves and was by far the biggest creditor.

In absolute terms, of course, the US is much richer today than it was in 1945. But for that matter, Mr Kennedy points out, "Britain has far greater wealth today than it had in its mid-Victorian prime, and its armed forces possess far more powerful weapons, but its share of world product had shrunk from about 25 per cent to about three per cent."

When it comes to being a world power, what counts is relative not absolute wealth, and "the United States today has roughly the same array of military obligations across the globe that it had a quarter century ago, when its shares of world GNP, military spending, and armed forces personnel were much larger than they are now."

There is nothing new about this, he notes, in the perspective of world history. "Most of the historical examples suggest that the trajectory of a state's military-territorial influence *lags noticeably behind the trajectory* of its relative economic strength." Economic expansion comes first, bringing in its wake overseas interests and obligations which become costlier to defend and maintain as they are challenged by the rise of rival economic powers. Thus, established powers tend to spend more on defence than rising ones and yet feel less secure; and the attempt to maintain a position of relative power no longer justified by its relative economic strength aggravates the economic problems and plunges the state into financial crisis.

In short, the US's relative decline is inevitable and the efforts of political leaders to stave it off are doomed to failure. The federal budget and foreign trade deficits, *closely* interrelated, are the outward and visible forms of this existential crisis, the essence of which is the incapacity of Americans to continue earning *what it costs* simultaneously to maintain themselves as the dominant world power and to enjoy the world's highest standard of living.

They have no reason to be ashamed of this. But they have not yet realised that their quest *for a "statesman"* capable of restoring their former pre-eminence is part of the problem, not the solution. The statesman they really need is one capable *of breaking this to them gently,* and of managing the transition to a world order in which other powers will bear a larger share of the costs, but which will in consequence be less precisely tailored to American interests and American views than the one built at the zenith of American power after 1945.

Senator Bill Bradley, the potential candidate perhaps best qualified for this role if only because he has the best understanding of the world economy, is steadfastly refusing to throw his hat in the ring on the grounds that he does not feel "ready". Maybe what he means is that Americans are not yet ready for him and for his message - but many of them must be readier now than they were two weeks ago.

FINANCIAL TIMES

Tuesday October 27 1987

Jubilant youths storm sacred Peking site

ABOUT 8,000 young Chinese evaded police road blocks last night and stormed into Tiananmen Square, the sacred site of Communism in the heart of Peking, to celebrate a Chinese football victory over Japan, writes Robert Thomson in Peking.

The victory drew to the surface the frustration many young Chinese feel about the country's backwardness relative to the development of Japan.

After the youths had massed in Tiananmen, immediately in front of the Great Hall of the People, where the Communist Party Congress is being held, they dispersed and went to the diplomatic district in the eastern sector, chanting and singing along the way.

Police again closed off all roads around the area early this morning, and urged the jubilant youths to return home.

The show of dissent, while good-natured, will come as an embarrassment to Chinese leaders presiding over a Congress, which is intended to set a course for the country into the next decade, since party leaders have attempted to show visiting delegates a capital under tight control.

Last night's gathering momentarily threatened to turn nasty as thousands chanted for police to return a flag confiscated from one of the protesters, most of whom had come to the square on bicycle.

Several hundred youths had first cycled to the diplomatic district with the apparent aim of massing in front of the Japanese embassy; but hundreds of police blocked access and the youths turned towards Tiananmen.

Police with loud hailers urged the youths to keep moving and "obey road laws", while recorded messages broadcast from police vans warned them to be "aware of bad elements wanting to cause disturbances".

When asked why he had come to Tiananmen, one student replied "two to nil", while another said he was not concerned that the gathering could compromise the Congress.

The Chinese have a deep rivalry with the Japanese - a frustration heightened by bitter memories of Japanese brutality during the war.

China's economic plans threatened

ROBERT THOMSON IN PEKING

CHINA'S ambitious economic reform programme, now under review at a crucial Communist Party Congress, is in danger of losing direction because of sustained criticism by conservative Communists and an overheated economy.

Senior economic officials were unable yesterday to say when controversial legislation on bankruptcy, share issues, and employment would be introduced or when price reform would be broadened.

This is despite the strong advocacy on Sunday by Zhao Ziyang, acting general secretary, for the expansion of economic reform.

The hiring of workers by private businessmen is one of the most sensitive issues as it raises the possibility of conflict with Marxist thinking on labour exploitation.

Yesterday Gao Shangquan, vice-minister of the Economic Structural Reform Commission, said: "We are still studying this question."

While the party is examining the issue at its 13th Congress, which began here on Sunday, private businessmen are laying off shop assistants and labourers.


Zhao Ziyang

Mr Gao admitted that some enterprises have employed more than 100 workers.

Inflation has already forced the Government to halt the introduction of reforms intended to make prices represent the cost of production.

Mr Gao could not say when these price reforms would be extended: "The people have many complaints about price rises," he said.

He also conceded that reform still faced considerable political opposition.

Inflation is officially running at just under 9 per cent, although the actual rate is closer to 15 per cent.

The economy is badly overheated, with industrial output rising by 15 per cent this year - more than double the planned increase - yet the supply of goods is insufficient to satisfy growing consumer and industrial demand.

The problems are providing ammunition for conservative concern that the shift away from central control to a more market-based economy has caused the economy to run out of control.

Those conservatives are in favour of the party tightening its grip on the economy and country.

Conservatives have also opposed the introduction of a bankruptcy law, which was freely discussed last year and a draft approved, but which was not mentioned by Zhao Ziyang during yesterday's speech at the end of the Congress.

Asked whether the dramatic fall in foreign share prices would influence China's use of shares, Gao Shangquan said that Chinese-style shares would not be as volatile as conventional shares.

The few issued have been more like bonds and cannot be freely traded.

The fact that Zhao Ziyang's speech concentrated on generalities about a market-based economy and private enterprise, but did not introduce specific new ideas on economic reform, reflected the pressure on the Chinese economy and on the reformers.

Europe nears deal on defence policy

BY ROBERT MAUTHNER, DIPLOMATIC CORRESPONDENT, IN THE HAGUE

FOREIGN and defence ministers of the seven-nation Western European Union last night ironed out most of their disagreements over a new policy document intended to give Europe a distinctive defence identity.

The document, which is due to be adopted formally by the ministers today, is couched in general terms and falls far short of creating anything like a European defence community. Indeed, it is called a 'platform', rather than a 'charter' as was originally proposed by Mr Jacques Chirac, the French Prime Minister.

Britain and Holland in particular had opposed such grandiose terminology, because it might have offended the US and the other NATO members.

The platform is understood to refer specifically to the WEU members' solidarity with the Atlantic alliance and the US.

Significantly, it also underlines the need for European defence to be based on a mixture of nuclear and conventional weapons.

Six of the members - Britain, France, West Germany, Belgium the Netherlands and Luxembourg - had insisted from the outset that Europe must not be denuclearised following a super-power agreement on intermediate-range nuclear forces (INF).

Italy, which was at first anxious to avoid any reference to nuclear defence because of the presumed effect that might have on a forthcoming Italian referendum on civil nuclear power, was finally persuaded to drop its reservations.

Although the European defence platform is not specific enough to result in any immediate practical steps, it was seen by officials of most of the member countries as the first step along a long road towards a real European defence personality.

'The European Community was not built in one day either,' one official said. 'It evolved slowly.'

Meanwhile, during a discussion on the consequences of last week's meeting in Moscow between Mr George Shultz, the US Secretary of State and Mr Eduard Shevardnadze, his Soviet counterpart, an optimistic note was sounded by Sir Geoffrey Howe, the British Foreign Secretary.

Sir Geoffrey said there was no evidence yet that an INF agreement - as opposed to a summit meeting between the US and the Soviet Union - was in jeopardy.

He referred to a press conference given by the Soviet Foreign Minister following his meeting with Mr Shultz in which Mr Shevardnadze said the question was not whether or not there would be an agreement, but who would sign it.

Sir Geoffrey also said that once an INF agreement had been completed, particular emphasis had to be placed on the conclusion of chemical and conventional arms agreements.

EC calls for halt to farm subsidies war

BY WILLIAM DULLFORCE IN GENEVA

THE world's major wheat and other cereal exporting nations should halt their subsidies war and agree minimum export prices, the European Community has urged in proposals for reforming world farm trade put forward yesterday.

But the Community has again rejected calls from the US and elsewhere for a total end to all export subsidies.

Its package, presented in Geneva to the General Agreement on Tariffs and Trade group handling the reform of world agricultural trade, was immediately described as disappointing by the US.

President Ronald Reagan proposed in July that governments should abolish by the end of the century all production and export subsidies on farm produce. Last week Mr Bob Hawke, the Australian Prime Minister, unveiled a more detailed programme for a 10-year phase-out of farm supports, elaborated by the 13-nation Cairns Group.

The EC, however, insisted yesterday that the Community must retain its dual pricing system, which keeps prices paid to its farmers higher than its export prices.

Nonetheless, Mr Guy Legras, the European Commission's director-general for agriculture, said the Community's proposals for an end to the subsidies war should appeal particularly to the US. Washington, spending $26bn (£15.4m) annually in farm supports, had seen agricultural exports grow 26 per cent in volume but only 6 per cent in value in the 12 months to the end of September.

Price agreements could help to restore order to world markets, relieve the difficulties of small exporting nations and create a climate of confidence for the Gatt negotiations, Mr Legras said.

Reform should start with emergency measures to ease the strains in markets, where surpluses were distorting trade, the EC proposals say. These include sugar and dairy products as well as cereals.

These steps would be followed by undertakings, negotiated on a reciprocal basis, to reduce farm supports in key sectors. None of the initial measures would call in question domestic policies, such as the Common Agricultural Policy.

In a second stage the Community envisaged a "significant, concerted reduction" in farm support and a "readjustment" of external protection, but this part of its proposal lacked detail.

Other countries, including the US, welcomed the Community's acknowledgement that far-reaching change was needed in world farm trade as representing an improvement on previous EC positions.

But Mr Michael Samuels, the US Deputy Trade Representative, said the EC proposal implied continuation of its highly managed agricultural system.

Background, Page 8

Global equity crisis enters second week

Continued from Page 1

lowest level since the beginning of January. The FT Ordinary index closed 89.1 lower at 1,307.1.

The market stabilised after news the Treasury had called a meeting today with the underwriters of British Petroleum share issue, prompting speculation the Government may be considering calling off the sale.

British shares also found some resilience in the face of Wall Street's continuing plunge from speculation that the UK authorities will cut base rates again.

The Bank of England yesterday intervened heavily against sterling on foreign exchanges. The Bank is believed to have sold sterling mostly against the dollar but its action was mainly motivated by a desire to stop sterling rising above DM3.00, a level the Bank has defended staunchly on numerous occasions this year.

Yesterday's intervention is believed to have been consistent with the Government's exchange rate policy rather than any co-ordinated effort by Group of Seven central banks to support the dollar.

The Bank of England confounded widespread expectations that it would issue stock in the UK Government bond market which closed yesterday around two points higher. In more normal circumstances, the Bank has invariably taken the opportunity of a strongly-rising market to sell more gilts.

The Bank's decision not to fund yesterday appears to have coloured by its desire to be helpful to the equity market. If it were to have funded, gilt prices would not have risen so rapidly and therefore become that much more expensive for investors switching out of equities.

In addition, the offer of new gilt-edged stock would represent another call on the cash resources of financial institutions at a time when the UK authorities are concerned about maintaining liquidity.

In London, the dollar closed at DM 1.7755 compared with Friday's closing DM 1.7865 and at Y142.20 after Y142.65. In afternoon business in New York, the dollar held at around these levels.

The Bank of England's trade weighted sterling index closed substantially higher at 74.1 compared with Friday's closing 73.5. The pound closed in London at DM 2.9975 compared with its previous close at DM 2.9950 and rose to DM 1.6890 against the dollar from Friday's closing $1.6770.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	24	75	Dubrovnik	S	23	73	Malta	S	25	77	Rhodes	S	24	75
Algiers	S	35	95	Edinburgh	S	11	52	Manchester	S	11	52	Rio de Jo	-	-	-
Amsterdam	S	10	50	Faro	C	18	66	Manila	-	-	-	Rome	S	25	77
Athens	S	19	66	Florence	F	22	72	Melbourne	F	19	66	Salzburg	R	9	48
Bahrain	S	32	90	Frankfurt	C	9	48	Mexico City	-	-	-	San Francisco	-	-	-
Bangkok	-	-	-	Funchal	F	18	64	Miami	-	-	-	Seoul	S	15	59
Barcelona	F	22	72	Geneva	C	14	57	Milan	C	17	63	Singapore	-	-	-
Beirut	-	-	-	Gibraltar	F	19	66	Montreal	-	-	-	Stockholm	C	5	41
Belfast	C	10	50	Glasgow	C	11	52	Moscow	S	2	36	Strasbourg	C	9	48
Belgrade	C	12	54	Guernsey	C	12	54	Munich	R	7	45	Sydney	C	17	63
Berlin	S	9	48	Helsinki	C	6	43	Nairobi	F	28	82	Taipei	-	-	-
Biarritz	F	18	64	H. Kong	C	23	73	Naples	S	27	81	Tangier	C	21	70
Bombay	S	33	91	Innsbruck	R	11	52	Nassau	[illegible]	[illegible]	[illegible]	Tel Aviv	F	24	75

Hong Kong market

Continued from Page 1

ing in November and December Hang Seng Index contracts was halted within three minutes of the market opening as prices crashed to "limit down" levels. The spot October price, in which no limits were operating, went into free fall to end the day at 1975.

With just four trading days left before these October contracts mature, the moment of reckoning was yesterday understood to be close for a number of small brokers.

Stock market traders ignored two snippets of positive news. A Philippine-backed company bid HK$500m at auction for a residential site on Hong Kong Island - an encouraging sign that property prices have held steady.

Also the territory's takeover panel gave reluctant approval to a proposal by Mr Li Kashing, whose companies account for almost one-fifth of Hong Kong's stock market capitalisation, that takeover rules be waived over the next month to allow shareholders to buy their own shares beyond the 35 per cent level at which they would normally trigger a full bid.

Mr Li had said he was willing to plough over HK$2bn into his own and other shares in an effort to restore confidence.

All-clear for $7.8bn European high-speed railway

By William Dawkins in Brussels

TRANSPORT Ministers from five northern European countries gave the political all-clear yesterday for a high-speed railway network to link Paris, London, Brussels, Amsterdam and Cologne.

They agreed at a meeting in Brussels to ask national railway operators to produce outline details by next March of how to put the ambitious project into effect. The total cost will be Ecu6.8bn ($7.84bn) and the work could be completed by 1992, the target set by the EC for the completion of a fully free internal market, according to a preliminary report prepared by officials from Belgium, Britain, France, West Germany and the Netherlands.

When fully operational, the network will carry an estimated 40m passengers annually, or 110,000 per day, says the report. It will be built to carry trains that can travel at up to 300km per hour (186 mph). Once the Channel Tunnel is open in 1993, the report estimates that the best journey time from London to Brussels will be almost halved from the present 300 minutes to 155, while London to Paris trips will be cut from 312 minutes to 178.

One big uncertainty, however, is funding. Fourteen banks, including the European Investment Bank, have shown provisional interest in raising cash. Independent consultants estimate that Ecu 4bn to Ecu 5bn could be raised through a private placing, while the Ecu 1.8bn balance could come from a public share issue, though that estimate was compiled before the present chaos in world equity markets.

The European Commission has proposed that EC funds be made available for this and other transport projects, though that idea has come up against strong objections on budget grounds from all of the signatories to yesterday's agreement, except for Belgium.

Another uncertainty is Britain's refusal to modernise the track from Dover to London to take faster and wider continental rolling stock, on the grounds that it is impractical. Mr Paul Channon, UK Transport Secretary, said yesterday that British Rail was due to report on the problem next year.

"I would not like to prejudge what they come up with," he said.

The main cost of the overall project will be building a new line, estimated at Ecu2.09bn at 1984 prices, followed by improvements to existing track, estimated at Ecu1.12bn. New trains and rolling stock will add another Ecu 1.22bn.

Top British law officer in sudden resignation

By Peter Riddell, Political Editor, in London

LORD HAVERS, the British Governments most senior law officer, resigned yesterday for health reasons after just over four months in office.

Lord Havers, 64, the former Attorney General in the House of Commons, had a major heart operation two years ago and has recently been ill. There has been speculation about his future for some time.

He said he returned to work last week feeling much better, but he found "the burden too much" and did not feel satisifed he could do the job properly.

The timing has presented Mrs Thatcher, the prime minister, with an awkward problem.

One of the leading candidates is Sir Geoffrey Howe, the Foreign Secretary, but this would mean a by-election which it is understood she does not want so soon in this session of Parliament.

The new Lord Chancellor, who has a seat in the Cabinet, is Lord Mackay, 60.

Since 1984 he has served briefly as a senior Scottish judge and as a Law Lord since 1985. He is the first member of the Scottish bar to become Lord Chancellor.

Educated at both Scottish and English universities, Lord Mackay was a mathematics lecturer before becoming a lawyer.

As Lord Chancellor he will not only preside over the House of Lords but will also be head of the judiciary and sit in on Lords appealate committee.

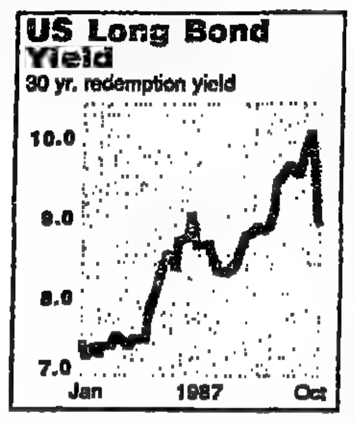
Lord Havers served as Attorney General from 1979 up to this June's general election, having been Solicitor General between 1972 and 1974.

A likeable and clubbable man, he was involved in frequent controversy, notably when pressing for full disclosure over the recent Westland helicopter affair.

THE LEX COLUMN

Trying not to be part of BP

Another dogged day for London equities, with the market beaten back beyond the 1650 line, then rallying to a level just 5 points above where it started in January 1987. By last Friday's close, according to Wood Mackenzie, the total return in the year to date for equities and long gilts was bang in line at 12.8 per cent apiece. With gilts up another couple of points yesterday, so much for that. The sorting out of sectors continues: 19 stocks in the FT-SE index fell only by single figures yesterday, and they were almost all stores, food manufacturers or utilities. Exotic foreigners fared worst: RTZ was at one stage more than halfway down from its peak in July.



BP

The BP issue is coming to its final showdown. Probably today, but in any case before first dealings on Friday, the UK Treasury must decide whether to call the whole thing off. The meeting with the underwriters does not necessarily imply a change of heart; the underwriters having requested it, the Treasury must oblige under the terms of its agreement. But the continued collapse of markets and share price alike make the arguments more pressing.

For the underwriters, the paper loss on the first instalment could be up to £1.5bn. For BP, which would doubtless pull the issue if it had the option, flopping publicly on the world's stock markets will certainly not help plans for capital development. For the Government, the first consideration is likely to be neither of those, but a calculation of whether pulling out would be worse politically than going on, and whether it would do more or less damage to the rest of the privatisation programme.

Some of the consequences would certainly be awkward. The shine would be knocked off the PSBR figures, and the money foregone would have to be made good in the gilt market. The rights issue, having already been sold to the Treasury, would have to proceed. But if the main issue were pulled the Government would presumably have to take up its rights entitlement, and the whole exercise would therefore result in its holding being actually increased.

It might also look rather odd from the point of view of the Public Accounts Committee, the House of Commons financial watchdog, which has made its views known in the past on the costs of underwriting privatisation issues. If issues are to be pulled when underwriters are in trouble, there is a good case for never underwriting at all. But the real issue is a practical one. If the underwriters are able to show the Treasury that any loss they might suffer would harm the wider financial framework, or if BP risks damage as an operating entity, the Government should face the political music and call the whole thing off. But otherwise, surely, not.

Hong Kong

If the Hong Kong stock market had reopened even 500 points lower, there was a feeling that this would have been manageable. But a fall of 1120 points sent panic waves throughout the Far Eastern financial community yesterday and overshadowed news of a run on Rothwells, a well- connected Australian merchant bank. The continuing sharp falls in Hong Kong share prices in London last night, coming after Monday's one-third fall in the Hang Seng index, underline the scale of the financial crisis now facing the colony and raises the question of whether the HK$2bn ($256m) rescue package, which has been mounted for the local futures exchange, will be sufficient to restore confidence.

The sight of reputable international firms being forced to put up capital to rescue a bunch of gamblers who would not allow them to sit on the board of the casino has undoubtedly tarnished Hong Kong's image as an international financial centre. But it had to be done. The Hang Seng contract is one of the world's most heavily traded stock-index contracts, and the possibility that one of the world's biggest futures exchanges could go bust would have had repercussions in futures exchanges far beyond Hong Kong. The only question now is whether the lifeboat will be increased. Judging by the performance of Hong Kong share prices in London last night, it may well have to be.

Despite the events of the last few days it would be dangerous to sound the deathknell on Hong Kong's future as a financial centre. It has always had far more liquidity than rival centres such as Singapore, and provided the lifeboat is mannaged wisely there is no reason why this should not continue to be an attraction. Meanwhile, there is a danger of overemphasising the importance of Hong Kong's dramatic collapse for world markets generally. It is, after all, only the eleventh largest stock market in the world, and accounts for a mere 1.1 per cent of the world index.

Lucas

In last week's market there was not much rationality in the choice of stocks to dump. Lucas shares suffered rather worse than the generality on the grounds that pre-tax profits are £23m a year better off for its pension fund contribution holiday and that might have been threatened by the falling market. Yesterday the company explained that since the fund is valued on the basis of its income stream, not its market value, the holiday was not affected. Once investors understood that the share price fell less than the market yesterday: closing only 5.3 per cent lower at 499p.

The Lucas pension fund would suffer if things got so bad that dividend growth came to a standstill or worse if companies started cutting their dividends. Barring that, the fund benefits from the market fall in that yields rise and reinvested income and cashflow from the employee's contributions (they get no holiday) ought to earn a higher return. The holiday might even be extended yet again - and when payments do resume they ought to be lower than before.

The other valuation question raised by the market collapse is what multiple is put on earnings. In Lucas's case, 499p buys 8.2 times last year's and around 6.7 times forecast earnings. It is hard to say whether that is cheap or dear in current conditions. Lucas was loss-making in the depths of the last recession, but it has spent a few hundred million pounds trying to avoid that happening again. Now the greater risk is from an inability to make acquisitions because of its low rating than from the next recession - real or imaginary.

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Tuesday October 27 1987

Ford profits at $703m as growth decelerates

BY ANATOLE KALETSKY IN NEW YORK

FORD MOTOR, the second-largest US car maker, reported moderately good results yesterday, with net income of $703m, or $2.76 a share, in the third quarter.

Although these profits were only 1 per cent up on the year-ago figure of $693m, or $2.61, last year's result included a one-off gain of $102m from the sale of Ford's US paint operations and its interest in Starnet, a satellite communications business. Excluding this special item, net income was 19 per cent higher than a year ago.

Nevertheless, this rate of earnings growth represented a significant deceleration from Ford's spectacular profit performance during the first half of the year. In the first quarter Ford's net income of $1.5bn was 105 per cent higher than a year earlier. In the second quarter the company earned $1.5bn again, marking an increase of 39 per cent relative to the year before.

The third quarter is traditionally a weak one in the motor industry because the introduction of new models in October forces the manufacturers to engage in costly rebates and financing subsidies to move their dealers' stocks.

But last year's third quarter saw unprecedented price cutting and credit wars. The fact that Ford's profits in the latest quarter were only modestly ahead suggests the credit competition was costly this year as well.

This augurs badly for General Motors, the biggest US motor manufacturer, which is due to report its results later this week and may well show a loss at the net level.

Ford said world sales were 6 per cent higher than a year ago at $15.2bn, but sales volumes were down 7 per cent at 1.24m units. In the US market Ford sold 727,000 units, down 9.7 per cent from the year before, although revenues climbed by 2 per cent to $10.1bn.

Ford's US market share increased 2.3 percentage points to 20.1 per cent, the highest level since 1979. Apart from motor manufacturing, Ford performed moderately well in the financial services which now account for more than a quarter of the group's net income.

Ford Credit earned net profits of $172m, 11 per cent higher than the year before. But First Nationwide, the company's rapidly-growing thrift and mortgage lending business, suffered a 33 per cent decline in net profits to $12m, as a result of costs associated with expansion and falling net interest margins.

Louise Kehoe examines the recent fortunes of US microchip groups

Silicon Valley buffeted by shares storm

LAST WEEK'S stock market plunge put a cold damper on the exuberance of Silicon Valley's high-tech industries, where recent record sales and earnings had raised expectations of a major electronics boom.

Semiconductor and computer companies were among those most badly hit by the stock market crash.

Since October 1, many have seen their stock prices tumble by 30 to 40 per cent. Stocks of the smaller companies, expecially those quoted on the over-the-counter market, have been particularly volatile.

Among electronics industry executives, the greatest concern is that economic uncertainties may slow capital and consumer spending. Although analysts say that it is too soon to gauge public sentiment and that much will depend on Washington's reaction to the stock market crisis, they acknowledge that a drop in spending could have a serious ripple effect throughout the electronics industry.

A slowdown, for example, in car sales, would have a significant effect on the semiconductor industry, says Mr Gary Arnold, chief financial officer at National Semiconductor.

The semiconductor makers themselves will be cautious about committing themselves to major capital expenditures, he predicts, which in turn will have an impact on the makers of semiconductor production equipment.

A major question within the high-tech industries is what will happen to the personal computer market. The current personal computer boom is driving up the sales of a broad range of high-tech companies including the chipmakers, semiconductor production equipment suppliers, software and computer peripheral companies.

If personal computer sales slow down, much of the electronics industry could also be dragged down. Apple Computer, the second-largest US personal computer manufacturer, monitors sales on a daily basis, and the company saw no signs of a slowdown last week. It may, however, be several weeks before the impact on new orders is felt.

The personal computer industry may be particularly vulnerable to spending cuts because a large portion of its sales are now to companies and consumers who are upgrading to more powerful models. Many purchases could be deferred until the economic outlook is clear, analysts note.

SILICON VALLEY STOCK PRICES

Company	Oct 1	Oct 23
Apple Computer	58¼	35⅝
Advanced Micro Devices	24	11⅜
Amdahl	48⅛	29
Hewlett-Packard	26¾	20¾
Intel	60½	33¼
Tandem	34⅛	24¼
National Semiconductor	20¼	11¾
Atari	11⅝	7
Chips & Technologies	27¾	16⅛
Cypress Semiconductor	15⅛	8
LSI Logic	13⅝	9
Measurex	33⅞	22¾
Sun Microsystems	37½	29¼
Seagate	20	13

Another concern is that depressed stock prices could make some of Silicon Valley's high-tech firms vulnerable to takeover attempts, especially from cash-rich foreign investors.

However, as Mr Regis McKenna, a partner in Kleiner Perkins Caufield and Byers, a major San Francisco venture capital company, notes: "Most of the assets of the high-tech companies walk out of the door each evening. Unfriendly takeovers generally don't work around here."

A more significant effect of the stock market plunge may be felt by high-tech start-up companies planning to go public. At least eight Silicon Valley companies had planned initial public offerings last week but were forced to delay the stock sales when the market dropped.

We filed with the SEC on October 7, but now everything is on hold," says Mr Rodney Smith, president of Altera Corporation, a semiconductor manufacturer.

"We are profitable and we have a good cash position so we will just wait and see what happens to the market," he adds.

For companies that need cash, the halt in the IPO market could, however, have more serious consequences, and no one is willing to predict how long it will be until market conditions become more favourable.

If the "paralysis" lasts too long, there will be a lag effect upon the venture capital funds, suggests Mr Jack Wilson, vice president at Dataquest, the market research firm.

He says start-up companies may also find it harder to attract talented engineers, without the lure of stock options that can be sold when the company goes public.

A problem facing many Silicon Valley companies is sinking employee morale. Employee stock options take the place of pension funds at many high-tech groups. So the rise and fall of stock prices is a major concern among workers.

It has been gallows humour around here all week," says Apple Computer where thousands of employees own company stock. Apple's stock price dropped from $58¼ on October 1 to $35⅝ on Friday.

However, it was Silicon Valley's rich entrepreneurs who took the biggest hit last week. As stock prices plunged, their paper fortunes dwindled. But most did not seem too upset. One of the industries multi-millionaires says: "If you bought the stock at 20 cents, then the difference between $30 a share and $20 a share isn't that great."

LaSalle bids for Lane Financial

By Our Financial Staff

LASALLE NATIONAL, the US bank holding company whose parent is Algemene Bank Nederland, has offered to pay about $200m for Lane Financial, a Chicago-based bank holding company.

Lane said the proposed purchase price was about 2.5 times its book value based on its equity at September 30. It said the combined assets of the two holding companies would exceed $3.4bn.

The Chicago company owns Northwest National Bank of Chicago, Lake View Trust and Savings Bank of Chicago, Northbrook Trust and Savings Bank and Bank of Westmont.

LaSalle is holding company for LaSalle National Bank and LaSalle Bank of Lisle.

Mr Asher Edelman, the US investor, said a group of parties affiliated to him had acquired about 11.5 per cent of the outstanding shares of Foster Wheeler, the US engineering and construction group, and had told the company it wanted to discuss an acquisition.

Mr Edelman said he had contacted Mr Louis Azzato, president of Foster Wheeler, in order to arrange a prompt meeting to discuss a possible transaction. Mr Azzato had replied that "management did not intend to meet with Mr Edelman at any time because it was their intention and the intention of the company's board of directors that the company remain independent," Mr Edelman said.

Meanwhile Telex, the Tulsa-based telecommunications group, said it and financial adviser Drexel Burnham Lambert would investigate alternatives to maximise shareholder value by seeking a purchaser for the company, or recapitalising, or pursuing a management-led buyout.

The company said it was holding talks with other unidentified parties concerning a possible acquisition of the company. Telex faces an unsolicited $65-a-share bid from Mr Edelman.

Pressure on energy costs affects Exxon

BY OUR NEW YORK STAFF

EXXON, the biggest US oil company, yesterday reported flat earnings in the third quarter, reflecting the continuing downward pressure on energy costs in the retail and wholesale markets, despite the strengthening of crude oil prices.

Exxon made net profits of $1,06bn, or 75 cents a share, in the third quarter, 2.7 per cent up on the $1.05bn, or 73 cents, it had earned the year before.

For the first nine months of the year, Exxon's profits, at $3.3bn, were more than 15 per cent down on the corresponding period last year. Revenue for the latest quarter was 29 per cent up at $21.9bn.

The company gained substantially from higher crude oil prices, which slumped to their lowest point during the third quarter of last year. The higher prices boosted Exxon's worldwide oil exploration and production profits by 73 per cent to $933m.

However, these benefits were largely offset by the company's inability to pass on the crude price rises to its customers. As a result, earnings from refining and marketing slumped to $60m compared with $463m the year before.

"Refined product margins continued to be depressed, and earnings from refining and marketing were below acceptable levels," said Mr John Rawls, chairman.

The company's third main business segment, chemicals, showed strong results, in common with most of the worldwide industry. Chemicals earnings rose 33 per cent to $152m with the sharpest gains coming from Exxon's operations outside the US.

The company's total worldwide petroleum product sales were down, marginally in volume terms, from 4.04m to 4.01m barrels a day. Its total production of oil and liquids was up 2 per cent at 1.83m b/d while natural gas output was down 10 per cent at 3.7bn cubic feet daily.

Meanwhile, Occidental Petroleum reported net income of $46m, 18 per cent up on the $39m it had earned a year earlier. Its earnings per common share rose much more steeply, from 12 cents to 20 cents, due to a cut in preferred dividend requirements from $20m to only $3m.

The better total earnings were due to higher oil prices and better results from chemical and agribusiness operations, partly offset by lower profits from natural gas transmission.

Intel launches PC aid

BY OUR SAN FRANCISCO CORRESPONDENT

INTEL, the leading US microprocessor manufacturer, yesterday launched a product that will enable millions of personal computer users to upgrade the performance of their old machines to meet the standards set by the latest 32-bit personal computers.

The Inboard 386/PC, priced at $995, gives standard IBM XTs many of the features of $8,000 models currently offered by IBM, Compaq and others.

The circuit board plugs directly into the widely-used IBM XT personal computer and compatible models from other manufacturers although Intel says that it has yet to test the board in dozens of varieties of "clones."

Intel claims that the circuit board increases the speed of a standard XT by a factor of 10. It also gives the machines the "multi-tasking" capabilities of newer models that can run several applications simultaneously.

The Inboard 386 contains a 32-bit microprocessor and one megabyte of additional computer memory along with circuits and software that link the new microprocessor to the monitor, disk drives and keyboard of the original personal computer.

Earnings at Du Pont jump 32%

By Our Financial Staff

DU PONT, the largest US chemicals group, yesterday reported a 32 per cent rise in third-quarter net earnings to $452m, or $1.87 a share, from $343m, or $1.42, a year earlier, reflecting continuing strength in many of its worldwide businesses.

The latest quarter included a $31m gain from the sale of a Texas chlorine and caustic soda plant, whereas the 1986 quarter included a net benefit of $21m.

The company said the increase was attributable to strong performances by a number of segments, notably fibres, agricultural and industrial chemicals, and coal, and substantially improved results from petroleum production.

Total earnings benefited from increased demand and higher crude oil prices, partly offset by lower earnings from downstream petroleum, as refined product margins continued to be well down on last year's levels.

Nine-month net earnings were $1.35bn, or $5.57 a share, against $1.2bn, or $4.97, in the first nine months of 1986. Sales rose 10 per cent to $22.5bn, with the third-quarter contribution rising 19 per cent to $7.6bn.

At Union Carbide, third-quarter net income from continuing operations rose 76 per cent to $74m, or 57 cents, from $42m, or 43 cents, for the same period last year. The 1986 figures exclude a one-time net gain of $252m, primarily from the sale of the home and car products business.

Operating profits for the latest quarter, helped by a strong performance in chemicals and plastics (up 35 per cent to $148m) and industrial gases (up 9 per cent to $82m), rose to $229m – a gain of 22 per cent over the same quarter a year ago.

Henley Group stages third-quarter upturn

BY OUR FINANCIAL STAFF

HENLEY GROUP, the US company comprising a diverse collection of unprofitable businesses and assets spun off from Allied-Signal in May 1986, has reported third-quarter net income of $39m, or 40 cents a share, compared with net losses of $30m, or 29 cents, for the same three months last year.

This reduced the losses for the nine months to September 30 to $81m, or 81 cents, against losses last time of $72m, or $1. The result reflects a gain of $75m from the initial public offering of a minority interest in Henley's Wheelabrator Technologies.

Earnings were partly offset by the continued amortisation of goodwill and other non-cash accounting charges as well as higher interest expenses.

Goodwill, which originated with predecessor companies' purchases of many of the businesses which became Henley units, was reduced to $400m from $467m at the 1986 year-end.

Net revenues for the three months were $872m, against $821m in the same period last year, bringing the total for the nine months to $2.65m compared with $2.35m.

Canadian pulp groups helped by higher prices

BY ROBERT GIBBENS IN MONTREAL

CANADIAN PULP and paper companies, particularly those with most of their sales in the US and overseas, are benefiting strongly from higher prices and peak operating rates and are posting a major resurgence in earnings. Profit levels in real terms are generally approaching the 1981 highs.

British Columbia Forest Products, a large market pulp, timber and newsprint producer, earned C$99.5m (US$76m), or C$1.75 a share, in the first nine months, up from C$34.3m, or 67 cents, a year earlier, on sales of C$1.04bn against C$852m. Third-quarter profit equalled 60 cents a share against 18 cents.

The company was acquired by Fletcher Challenge of New Zealand nearly two years ago just before the take-off in world pulp prices followed by recovery in newsprint.

Donohue, controlled by Montreal publisher Mr Pierre Peladeau and British publisher Mr Robert Maxwell, had nine-month earnings of C$28.9m, or C$1.73 a share, up from C$16.9m, or C$1.09, a year earlier, on sales of C$360m against C$356m. The third quarter was flat because one of its mills was on strike for a month.

NORTH AMERICAN QUARTERLY RESULTS

AMERADA HESS
Oil and gas

	1987 $	1986 $
Third quarter		
Revenues	1.1bn	780m
Net income	38.6m	41.9m
Net per share	0.45	0.49
Nine months		
Revenues	3.5bn	3.1bn
Net income	309.4m	*277.8m
Net per share	3.66	*3.29

* Loss

AMFAC
Distribution, food processing

	1987 $	1986 $
Third quarter		
Revenues	574.5m	490m
Net income	11.2m	*20.3m
Net per share	0.62	*1.29
Nine months		
Revenues	1.6bn	1.45bn
Net income	15.9m	*22.7m
Net per share	0.77	*1.46

* Loss

BATTLE MOUNTAIN GOLD
Gold producer

	1987 $	1986 $
Third quarter		
Revenues	31.6m	25m
Net income	12.1m	6.3m
Net per share	0.19	0.10
Nine months		
Revenues	83.1m	66m
Net income	30.2m	18.2m
Net per share	0.47	0.28

BRITISH COLUMBIA FOREST PRODUCTS
Forest products*

	1987 C$	1986 C$
Third quarter		
Revenues	356m	258.3m
Net income	34.4m	9.5m
Net per share	0.60	0.18
Nine months		
Revenues	1.04bn	852m
Net income	99.5m	34.3m
Net per share	1.75	0.67

* Fletcher Challenge owns 47%

CAPITAL CITIES-ABC
Broadcasting

	1987 $	1986 $
Third quarter		
Revenues	946.2m	959m
Op net income	38.4m	32.6m
Net per share	2.23	2.01
Nine months		
Revenues	3.03bn	2.94bn
Op net income	162.1m	101.6m
Net per share	9.56	6.28

CENTEL
Telecommunications

	1987 $	1986 $
Third quarter		
Revenues	381.6m	347.6m
Net income	39.2m	37.9m
Net per share	0.89	0.91
Nine months		
Revenues	1.09bn	1.01bn
Net income	106.5m	104.5m
Net per share	2.43	2.49

COLGATE-PALMOLIVE
Detergents, toiletries

	1987 $	1986 $
Third quarter		
Revenues	1.43bn	1.28bn
Op net income	53.1m	48.1m
Net per share	0.78	0.68
Nine months		
Revenues	4.18bn	3.73bn
Op net income	165.6m	147.5m
Net per share	2.40	2.09

COMBUSTION ENGINEERING
Industrial equipment

	1987 $	1986 $
Third quarter		
Revenues	791.2m	608m
Net income	15.3m	12.8m
Net per share	0.40	0.38
Nine months		
Revenues	2.15bn	1.81bn
Net income	39m	41.1m
Net per share	1.07	1.23

CONTROL DATA
Computers

	1987 $	1986 $
Third quarter		
Revenues	483.6m	457.6m
Net income	6.8m	*9.3m
Net per share	0.16	*0.23
Nine months		
Revenues	1.42bn	1.39bn
Net income	8.5m	*38.3m
Net per share	0.19	*0.95

* Loss

COOPER INDUSTRIES
Industrial, consumer products

	1987 $	1986 $
Third quarter		
Revenues	981.2m	823.4m
Net income	44.4m	37.7m
Net per share	0.88	0.77
Nine months		
Revenues	2.58bn	2.59bn
Net income	117.4m	100.2m
Net per share	2.35	2.06

DELTA AIR LINES
Airline

	1987/8 $	1986/7 $
First quarter		
Revenues	1.63bn	1.1bn
Net income	59.1m	53m
Net per share	1.22	1.32

GERBER PRODUCTS
Baby foods

	1987/8 $	1986/7 $
Second quarter		
Revenues	283.9m	242m
Op net income	17.3m	12.2m
Net per share	0.88	0.59
Six months		
Revenues	516.5m	437.1m
Op net income	25.1m	18.2m
Net per share	1.27	0.88

GOULD
Electronics

	1987 $	1986 $
Third quarter		
Revenues	230.4m	227.4m
Op net income	4.8m	4.3m
Op net p/shr	0.10	0.10
Nine months		
Revenues	690.5m	681.4m
Op net income	16.3m	29.1m
Op net p/shr	0.36	0.65

HOMESTAKE MINING
Gold producer

	1987 $	1986 $
Third quarter		
Revenues	87.1m	81.7m
Net income	10.2m	5.2m
Net per share	0.21	0.10
Nine months		
Revenues	266.6m	249.7m
Net income	34.4m	10.8m
Net per share	0.71	0.22

IDEAL BASIC INDUSTRIES
Cement producer

	1987 $	1986 $
Third quarter		
Revenues	75.1m	73.5m
Net income	4.6m	*4.4m
Net per share	0.03	n/a
Nine months1		
Revenues	180.3m	201.1m
Net income	*5.3m	*14.9m

IMPERIAL OIL
Oil and gas

	1987 C$	1986 C$
Third quarter		
Revenues	2.1bn	1.7bn
Op net income	219m	76m
Op net p/shr	1.33	0.46
Nine months		
Revenues	5.7bn	5.4bn
Op net income	568m	312m
Op net p/shr	3.47	1.90

KNIGHT-RIDDER
Newspapers

	1987 $	1986 $
Third quarter		
Revenues	500.1m	458.7m
Net income	33.4m	31.4m
Net per share	0.57	0.54
Nine months		
Revenues	1.51bn	1.39bn
Net income	105.1m	96.3m
Net per share	1.79	1.66

LAFARGE
Cement producer

	1987 $	1986 $
Third quarter		
Revenues	408.4m	310.7m
Net income	49m	26m
Net per share	1.15	0.64
Nine months		
Revenues	904.4m	719.6m
Net income	56.3m	20.8m
Net per share	1.24	0.48

MACMILLAN
Publishing

	1987 $	1986 $
Third quarter		
Revenues	322.2m	271.7m
Net income	43.3m	32.9m
Net per share	1.63	1.43
Nine months		
Revenues	704.9m	600m
Net income	55.3m	44.5m
Net per share	2.27	1.94

NATIONAL DISTILLERS & CHEMICAL
Chemicals, propane marketing

	1987 $	1986 $
Third quarter		
Revenues	617.2m	357.6m
Op net income	27.6m	2.7m
Op net p/shr	0.84	0.03
Nine months		
Revenues	1.8bn	1.2bn
Op net income	78.5m	25.6m
Op net p/shr	2.31	0.65

NATIONAL STEEL
Steelmaker

	1987 $	1986 $
Third quarter		
Revenues	622.8m	531.3m
Net income	12.4m	*18.6m
Nine months		
Revenues	1.78bn	1.53bn
Net income	25.2m	*62.6m

* Loss. Company jointly owned by National Intergroup and Nippon Kokan

PWH looks for partner as Otto Wolff retreats

BY PETER BRUCE IN BONN

PHB WESERHUETTE (PWH), the big West German materials-handling equipment group, has begun an urgent search for a major new shareholder following a decision by the Otto Wolff group, its parent, to stop supporting a big restructuring at PHW.

PWH has been trying to recover from dramatic losses last year, caused mainly in France, and the Otto Wolff group, which owns 75 per cent of the stock, claims to have pumped in more than DM150m ($82.9m) to help put it back on its feet.

In July, PWH reported unexpected losses of some DM128m, but the parent company said yesterday that the PWH board had since said the losses would be even bigger.

PWH, in a sharply worded statement, said yesterday that it had developed a recovery strategy with McKinsey, the management consultant, and that McKinsey had confirmed that measures already taken - the closure of 50 per cent of the company's West German manufacturing capacity - were correct. But there were "differences" over capacity utilisation and about what to do with PWH's numerous subsidiaries.

Otto Wolff unexpectedly told the board of PHB Weserhuette on October 20 that because of this it could no longer go along with the recovery concept, said the statement.

PWH said its board would immediately put rationalisation proposals to its bankers, with a view to continuing operating in its present form and "at the moment the board is having discussions with industrial partners."

The Otto Wolff group, a medium-sized steel and engineering conglomerate, said it had been forced to refuse to promise PWH any more money because of its responsibilities to its subsidiaries. PWH has been majority owned by Otto Wolff for only two years, since the Hoesch steel group gave up an attempt to buy it and sold its 49.6 per cent share to Otto Wolff for DM80m. PWH's other main shareholder is the Aachener and Muenchener insurance group, which holds around 25 per cent.

The company is one of the world's biggest builders and designers of heavy excavation, conveying and mining equipment and turns over around DM500m worldwide a year. It ran into trouble in France after buying the materials-handling subsidiary of the now-deceased Creusot Loire group in 1984. Creusot Loire was liquidated soon afterwards and the French business lost its biggest customer.

It has also been caught up in a public row with Mr Peter Jungen, its chairman until a year ago, over who was to blame for the losses. Both the Otto Wolff and PWH boards have held him solely to blame, although he rejects the charges. PWH expanded rapidly under Mr Jungen, who became chairman in 1980 when PHB and Weserhuette merged.

Peugeot sees strong advance

BY PAUL BETTS IN PARIS

PEUGEOT-CITROEN expects to report a sharp rise in consolidated net profits this year, the private French motor group said in a statement.

The group, which reported net profits of FFr3.6bn ($602.5m) last year, also said that first-half group sales rose 8.9 per cent to FFr58.5bn, compared with the year before period. Sales of the Peugeot car division rose by 6.1 per cent in the first half, while sales of the Citroen car division increased by 15.6 per cent.

Peugeot-Citroen has also reorganised its car components and cycle operations. All components activities have now been grouped in a new subsidiary, Equipements et Composants pour l'Automobile (ECA).

At the same time, the bicycle and motorcycle manufacturing operations have been rationalised into two separate subsidiaries of the ECA components group. One will be responsible for bicycles and the second for motorcycles and scooters.

The motorcycle subsidiary will also absorb the cycle engine manufacturing company, Societe Mecanique du Haut-Rhin (SMHR), controlled by the Peugeot group, in which Honda Motors has a 25 per cent stake. The subsidiary, which will be known as Peugeot Motocycles, will now be 73.9 per cent owned by the French group, with Honda retaining its 25 per cent holding.

Finnish insurer expects 8% decline

BY OLLI VIRTANEN IN HELSINKI

POHJOLA, Finland's largest insurance company, expects an 8 per cent drop in operating results before taxes to FM156m ($35.7m) for 1987. According to the interim report released yesterday and forecasting key figures for the whole year, the consolidated income before change in untaxed reserves and income tax will increase from FM91m in 1986 to FM134m.

The underwriting margin will be hit badly by a substantial increase in claims and by price competition in the corporate insurance sector. The margin of FM245m in 1986 is expected to nosedive to FM130m.

Pohjola estimates premium income from direct non-life insurance to increase by 11 per cent to FM1.9bn this year. Premium income during the first eight months of 1987 also increased by 11 per cent, to FM1.378bn, while claims during the same period grew by 15 per cent to FM899m.

The shrinking margin will be compensated for by the rapidly growing income from securities and real estate trading which will increase from FM112m to FM230m in 1987.

The result was boosted by the rapidly rising share prices on the Helsinki stock exchange.

State to take over 49% of Fokker

By Laura Raun in Amsterdam

THE DUTCH Government will take over as much as 49 per cent of Fokker, the financially ailing Dutch aerospace company, while The Hague and commercial banks together are providing Fl 527m ($262m) in fresh financing.

The 11th-hour rescue package, announced yesterday, also requires that Fokker actively search for a partner, with which to join forces, immediately strengthen its depleted management and drastically cut costs. Fokker has plunged into financial difficulties because of soaring development costs for its two new airliners and serious delays in making and delivering them.

The Government will convert Fl 645m of development credits for the new Fokker-50 and Fokker-100 into a maximum equity stake of 49 per cent and subordinated, convertible loans. This will also include fresh credit of Fl 212m to help Fokker through its current cash flow crisis.

Commercial banks are furnishing Fl 315m in new loans between now and 1989, while relaxing payment on Fl 500m previously lent under state guarantees.

Fokker, which specialises in the manufacture of short to medium haul airliners and during its 76-year history has never had government ownership, is one of the few European aerospace companies to remain private. But it has plunged into the red while trying to develop two new aircraft at once, the 50-seat F-50 turbo prop and the 100-seat F-100 fan jet.

One of the most likely candidates as a business partner for Fokker is Messerschmitt-Boelkow-Bloehm (MBB), the West German aerospace company. Three weeks ago, Fokker and MBB signed a memorandum of understanding on collaboration in research, production and marketing.

● Societe Generale de Belgique says existing shareholders subscribed for 1.28m of the 2.56m shares it offered in a one-for-10 rights issue between October 6 and 20. It said this represented 49.31 per cent of the total available shares and compared with a 91.35 per cent take-up of its previous rights issue in June 1986.

New offer by MoDo for Holmen control

BY SARA WEBB IN STOCKHOLM

MODO, THE Swedish pulp and paper group, has stepped up its efforts to gain control of Holmen, a rival domestic forest products group and Europe's leading newsprint producer, with a SKr1.4bn ($222m) offer for the 31 per cent stake in Holmen currently held by Marieberg, the newspaper and publishing group.

The move, announced over the weekend, is intended to help build up a third powerful force within the Swedish forestry sector and challenge the two dominant players - Stora, Europe's largest forest products group, and Svenska Cellulosa (SCA), the number two in Sweden.

MoDo wants to reduce its heavy dependency on pulp and fine paper by creating a more diverse forest products group. Holmen is strong in newsprint, consumer products (such as kitchen paper) and sack/fluting, and has a small interest in chemicals.

MoDo is offering SKr725 per share for Marieberg's stake, which carries 31 per cent of the votes and 15.5 per cent of the share capital.

Holmen's A class shares closed at SKr600 on Friday, so the offer puts a 21 per cent premium on the shares. Brokers said that there had been no market reaction when trading resumed yesterday.

Marieberg has until December 31 to decide whether to sell or not. Mr Clas Reuterskioeld, managing director of Marieberg, said: "We are considering it." He added that Marieberg's stake in Holmen was an investment since "our supply of newsprint is not at all dependent on our ownership of Holmen."

Recent strategy

MoDo's move over the weekend fits in with its recent strategy. Three weeks ago, MoDo agreed to buy a 30.5 per cent voting stake in Holmen from Ratos, the Swedish investment company, for SKr1.4bn. It offered SKr725 per share, which at the time represented a 21 per cent premium over the market price.

The deal with Ratos gave MoDo and Iggesund (its affiliate in which it has 48.6 per cent of the votes and 39.9 per cent of the share capital), 46.6 per cent of the votes and 26.9 per cent of the equity in Holmen. If the deal with Marieberg goes ahead, it will have 77.6 per cent of the votes, and 42.4 per cent of the equity.

MoDo is intent on building up a third block in the forestry sector to challenge Stora, part of the Wallenberg sphere, and SCA, a Svenska Handelsbanken company.

By creating a third block, MoDo hopes to strengthen its position in the EC. Currently, 75 per cent of its exports go to Western Europe and by working closer with Holmen it can reduce transport costs.

Tripled profits

MoDo more than tripled its profits (before extraordinary items, allocations and tax) in the first eight months to SKr624m. Group sales rose 6.4 per cent to SKr4.93bn.

During the same period, Stora's profits (after financial items) rose by 63 per cent to SKr1.438bn on sales of SKr13.195bn, helped by its acquisition last year of its domestic rival, Papyrus. SCA reported a 37 per cent rise in eight-month profits to SKr1.18bn on sales of SKr10.05bn, and is planning a new share issue to finance acquisitions in the packaging and hygiene products field.

Holmen's profits rose 73 per cent to SKr350m on sales of SKr4.457bn.

A PKbanken analyst said: "MoDo had too much pulp business and as pulp prices are cyclical, it needs to be ready for the fall in prices in say two years' time." Forestry shares had risen strongly before the Wall Street crash sent shock waves through the Stockholm bourse.

Holmen had for long resisted predatory moves from MoDo and was thought to have had the support of its two allies Marieberg and Ratos.

Mr Christer Zetterberg, Holmen's managing director, was firmly in favour of keeping the company independent: once the deal with Ratos emerged, however, Mr Zetterberg accepted an offer to become chief executive at PKbanken, Sweden's second largest bank. Holmen is yet to appoint his replacement.

MoDo is controlled by the Carlgren and Kempe families, and has ties with Svenska Handelsbanken - through the bank's pension fund, which owns 4.8 per cent of the votes and 2.3 per cent of the share capital. Together the Kempe and Carlgren families and foundations control 31.1 per cent of the votes and 15.5 per cent of the share capital of MoDo.

INTERNATIONAL CAPITAL MARKETS

JAPANESE EQUITY WARRANTS TUMBLE

Record issue in Euroyen sector

BY CLARE PEARSON

NOMURA INTERNATIONAL yesterday launched the largest Euroyen bond yet with a Y300bn bond for Italy.

The deal came amid a continued rally in the Japanese government bond market, sustained by further falls in world share prices and the expectation that the yen would strengthen.

The background had failed to lend much support to the Euroyen market last week, but dealers said yesterday investors were returning to the sector, especially to pick up bonds for asset swapping.

Nevertheless, Nomura took care to price Italy's two-tranche deal generously, to ensure success. The Y150bn 4¼-year fixed rate tranche carried a 5¼ per cent coupon and was priced at 101⅛. It traded well within fees at less 1⅛ bid.

The Y150bn five-year portion, meanwhile, traded at 99.95 bid, compared with a 100.10 issue price and 20 basis points fees. It pays interest semi-annually at either 0.55 per cent below the Japanese long-term prime rate, or at 0.35 per cent over the coupon level on the most recent bank debenture, whichever is the higher.

An executive at Nomura said historically the long-term prime rate had always been 0.90 per cent above the rate on five-year bank debentures. But the structure had been chosen in case this relationship was changed over the next five years.

US Treasury bond prices continued to rise yesterday, though dealers were nervous about a further fall in the dollar, which would trigger higher interest rates.

Yesterday, however, the dollar remained within a narrow range, suggesting that the authorities were at least assuring

INTERNATIONAL BONDS

the currency remained stable amid the current equity market turbulence.

Dealers were not expecting any concrete statements on measures to curb the budget deficit to emerge from President Reagan's initial meeting with Congress yesterday.

Yield differentials between the bulk of Eurodollar bonds and US Treasury bonds continued to widen, prompting further concerns about the liquidity in the Eurobond sector.

The yield spreads on some of most liquid and most highly rated Eurodollar bonds were beginning to narrow from the highest levels seen last week, however. For instance, the yield margin on a 9 per cent bond for the World Bank, maturing in 1997, narrowed by about 10 basis points to about 75 basis points.

With the sharp falls of the Tokyo Stock Exchange yesterday morning, the price of Japanese equity warrants tumbled by around 30 per cent.

Not for the first time in the last week, prices of warrants fell below parity, anticipating further falls in Tokyo after the weak performance of the London and New York markets.

Representatives of the 10 market makers of Japanese equity warrants met yesterday to discuss the halt to trading which occurred last Thursday after the market was overwhelmed by sell orders.

They agreed to continue making markets to each other on the interim basis on which they resumed trading on Friday - with prices good for 25 lots, instead of 50, and spreads of 2 points rather than 1½ points.

Mitsui Trust International repackaged $45m of ex-warrant Japanese bonds into $30m of floating rate notes in the name of Canvas II. The bonds carry a margin of ¼ point over six-month Libor and an issue price of 100.1. Eurosterling bond prices rose almost in line with the gains in the UK government bond market in very active trading. This pushed prices of 10-year bonds up by about 1¾ points.

National Home Loans brought a £100m floating rate note, carrying a margin of ¼ point over three-month Libor, through Morgan Guaranty. The final maturity is 2014 but the average life is seven years.

This is the third funding for the company and carries a similar structure to the previous one, also led by Morgan. A subordinated tranche of notes is created which is privately placed to allow the publicly offered portion an AAA rating. In the D-Mark market, domestic bonds rose by about 1.20 points, pushing the average yield down to 6.34 per cent.

D-Mark straight Eurobond price rises varied widely, between about ¾ and 1½ points. Dealers said bonds for supranational issuers were in the most demand.

In Switzerland, dealers noted increasing switching out of the falling equity market into straight fixed rate bonds, triggering price rises of between ½ and ¾ point.

Banque Gutzwiller, Kurz, Bungener priced a SFr20m seven-year bond for Sandhurst Mining (Australia), convertible into the company's shares or gold. The bond's coupon was fixed at 6 per cent as had been indicated.

Skanska eight-month earnings jump 72%

By Sara Webb in Stockholm

SKANSKA, THE Swedish construction, property and investment company, has reported a 72 per cent increase in eight-month profits before allocations and taxes to SKr1.33bn ($210.9m), compared with SKr769m last year.

The group forecast full-year profits of SKr1.7bn, an increase of 63 per cent on the 1986 figure of SKr1.05bn, as it said earnings from Swedish contracting operations were expected to be better than last year.

A high proportion of overseas operations was also expected to be credited to income in 1987, the company said.

Group revenue (including rental income) in the first eight months rose by 6 per cent to SKr9.83bn. Invoiced sales for 1987 are expected to total SKr16.8bn, an increase of 4 per cent on last year.

Skanska said the recovery of the Swedish economy had stimulated an increase in building investment.

However, central government authorities have imposed curbs on the construction of commercial and office property in the three largest cities - Stockholm, Gothenburg and Malmo - where the market is overheated, and have put priority on residential property construction.

The group expects building investments to be 3 per cent higher in 1987, but warned that the industry is suffering from labour shortages in several areas which have helped to push up wages.

Skanska said it had faced problems overseas due to mounting protectionism and repayment difficulties from clients.

The group has acquired shares worth SKr1.6bn (compared with SKr161m last year) during the period.

The main transaction was the acquisition of a 54.5 per cent voting stake in JM, a real estate and construction company.

Skanska's share portfolio had a market value of SKr10.19bn when the books closed at the end of August.

Industrivaerden bids to lift stake in PLM

By Our Stockholm Correspondent

INDUSTRIVAERDEN, the Swedish investment company, is bidding for outstanding shares in PLM, the Swedish packaging group, in a convertible bond deal worth about SKr2bn on the basis of prices last week.

Mr Kjell Braendstroem, managing director of Industrivaerden, said yesterday the company needed to increase its wholly-owned industrial division substantially, but added that further moves were unlikely.

PLM showed profits (after financial items) of SKr112.2m ($17.8m) in the first six months of 1987, compared with SKr42.9m the previous year.

If the bid succeeds, Industrivaerden would have a total asset value of about SKr10bn, with 25 per cent in industry, 10 per cent in property and the rest in its investment portfolio, Mr Braendstroem said.

The company, which is closely associated with Svenska Handelsbanken, already has 18 per cent of the share capital and 23 per cent of the votes in PLM.

The other leading shareholder is Munksjoe, the forestry company within the sphere of Mr Anders Wall, the financier, which owns about 25 per cent of the equity and votes and which is willing to sell its stake.

Industrivaerden is offering 13 convertible bonds in exchange for 10 PLM shares. The offer is open to foreign investors.

The convertible bonds can be converted into shares in Industrivaerden at any time and carry a 15 per cent higher dividend.

Last year, Industrivaerden had turnover of SKr672m and profits (after financial items and after stock transactions of SKr460m). Total assets were about SKr7bn.

Mr Braendstroem forecast unchanged profits for 1987, but said that the effect of the deal would be to increase the profit per share by about 30 per cent.

A conversion of the notes would raise the share capital of Industrivaerden by 15 to 20 per cent, he added.

Tamsa signs $719m debt restructuring deal

TUBOS de Acero de Mexico (Tamsa), the Mexican private sector steel company, has signed a $719m debt restructuring with a group of banks led by BankAmerica, Mexico's Finance Ministry said, Reuter reports from Mexico City.

The accord involves converting a portion of Tamsa debt into minority equity holding and rescheduling the remainder along the lines of the recent public sector debt agreement.

The ministry's statement did not elaborate on the terms, but the Mexican public sector restructuring signed last March was over 20 years with a 13/16 per cent margin over London interbank offered rates (Libor).

The restructuring will reduce Tamsa outstanding foreign debt by just over 40 per cent.

The company invested $800m in new production facilities but the contraction of the world oil market in recent years left it unable to service its debt.

The agreement was signed by Tamsa bank advisory committee, comprising BankAmerica, Bankers Trust New York, Chase Manhattan, Security Pacific, Aetna Life and Casualty, First Interstate Bancorp and Banca Serfin, a Mexican bank.

Italian group to raise $300m

By Stephen Fidler, Euromarkets Correspondent

A GROUP of 18 Italian farm lending institutions is raising the equivalent of $300m through a syndicated loan being arranged through Morgan Guaranty.

The facility is guaranteed by two top-rated Italian banks - Banca Nazionale del Lavoro and Cassa di Risparmio delle Province Lombarde. Half will be drawn in Ecu, and one quarter each in D-Marks and Swiss francs.

The facility is in two parts: a 10-year tranche covering about 80 per cent of the financing, and a 12-year tranche. The first has a grace period of three years, and a margin rising from 12.5 basis points for the first five years to 15 for the remainder, while the second carries an 11-year grace period and a 25 basis point spread.

There are seven other lead managers, comprising Italian and Japanese banks.

Aeroports de Paris has also mandated Morgan to raise FFr350m or its Ecu equivalent over five years, extendible to eight, through a syndicated multi-option facility.

There is a four basis point commitment fee and an interest margin of 10 basis points if one-third or less is drawn, 15 basis points if usage was between one and two thirds, and 20 basis points after that.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on October 26

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

S&N wins Matt Brown bid battle

BY CLAY HARRIS

Scottish & Newcastle Breweries, brewing and hotels group, yesterday secured its £186m takeover of Matthew Brown and carried out its threat immediately to close the cash offer to shareholders of the Blackburn-based brewer.

The bitterly-contested takeover battle was the first to be decided in Britain since last week's collapse in share prices increased the attraction of cash offers like S&N's 750p bid. By calling last orders on the cash, S&N's latest attempt to buy Matthew Brown succeeded where a previous bid - using an unauthorised extension of closing time - had failed.

S&N yesterday declared the offer unconditional after receiving acceptances sufficient to take its total interest to more than 54 per cent. It owned 29.7 per cent before launching the latest offer.

Matthew Brown shares lost another 56p to 663p yesterday, 87p below the cash terms. S&N's three-for-one share offer, the only one now open for acceptance, is worth 609p after the Edinburgh-based group's shares fell 12p to 203p.

As acceptances were still being counted last night, it appeared that an overwhelming proportion of shareholders had elected to take the underwritten cash offer. That option will not be open to Britannic Assurance and Whitbread Investment, each holding 9.5 per cent of Matthew Brown, because neither accepted the offer yesterday.

Schroders, advising Matthew Brown, described the result as disappointing but noted that two thirds of the non-S&N shareholders had not yet accepted the offer. The Matthew Brown board would meet to consider whether now to recommend acceptance.

Matthew Brown brews Theakston and Old Peculier bitter and Slalom lager, while S&N's brands include Newcastle Brown, McEwan's and Younger's. The 520 public houses gained in the acquisition will raise S&N's total to nearly 2,300.

The bid was S&N's third effort to take over Matthew Brown since March 1985. The first was thwarted by a reference to the Monopolies and Mergers Commission.

The second, launched after monopolies clearance, appeared to have been narrowly successful but was overturned by the Takeover Panel because S&N and Morgan Grenfell, its financial adviser, had breached convention by extending the bid to 5pm, rather than the usual 3.30pm, on the final day.

Despite having bought Nottingham-based Home Breweries since the last monopolies probe, S&N was sufficiently confident yesterday to remove all conditions from the Matthew Brown offer even though the bid has not been cleared

The result and yesterday's renewed slide in share prices casts a shadow over S&W Berisford's defence against the £767m cash bid from Associated British Foods. Berisford shares fell 7p to 370p, 30p below ABF's offer.

Storehouse stake lifted

BY NIKKI TAIT

Mountleigh, the aggressive property company headed by Mr Tony Clegg, has increased its stake in Storehouse, the bid-beset retail group which takes in the Habitat, Richards Shops and BhS chains, to just under 3 per cent.

Mountleigh confirmed yesterday that it purchased just over 1.5m shares in Storehouse on Friday at prices ranging from 310p to 301p. This takes its total interest in the retail combine to 12.1m shares, or 2.97 per cent.

But Mr Clegg warned yesterday that the latest purchases "shouldn't be taken as any indication of our current thinking - one way or the other."

"We have been averaging down," he commented. "We are just watching how things are going." Despite yesterday's additional drop in the Storehouse share price - down 33p to 275p - no further purchases had been made, he added.

Last month, Mountleigh - after six weeks deliberation - decided not to proceed with an offer for Storehouse when its potential bid terms of 445p a share were firmly rejected by theStorehouse board. At the end of September, however, the relatively tiny holding company, Benlox, unleashed a paper-only offer for Storehouse - currently worth £1.1bn, or 269.5p a Storehouse share - saying it wished to "demerge" the retail group and offer investors shares in six new operating companies, each to be separately-quoted, within the current Storehouse banner.

Fairway flotation going ahead

BY DAVID WALLER

Fairway, small supplier of business stationery to City institutions, yesterday valiantly went ahead with its decision to come to the USM by way of a placing.

However, it did so only after cutting the planned price of the shares on offer.

Mr Kenneth Bevin, finance director, said that preparations for the issue were so far advanced, and had exhausted so much management time, that market conditions had not been allowed to cancel the flotation.

Instead, the company had chosen to place more shares at a lower price, making them more attractive to investors and still fulfilling the company's aim of raising £1.5m.

The proceeds will be spent on eliminating borrowings and financing the acquisition of new City headquarters.

A distributor of business and computer stationery to numerous financial institutions, Fairway has thrived on the back of Big Bang. In 1986, it made pre-tax profits of £441,000 on turnover of £3.9m, compared to £161,000 in the previous year on £2.9m turnover.

For the present year, the company is forecasting pre-tax profits of £575,000 on turnover of £5.2m and intends to pay a net dividend of 2.5p per share.

Capel-Cure Myers, the stockbrokers handling the issue, reported yesterday that the entire issue of 2.26m shares, or 28 per cent of the company's enlarged equity had been placed without undue difficulty with some 200

Secs Trust Scotland asset rise

Net asset value per 25p share of Securities Trust of Scotland rose from 112.3p to 153p over the year to end-September after deducting prior charges at par. After deducting prior charges at market value the figure improved from 114.3p to 153.8p.

The interim dividend is raised to 1.2p (1p) and the directors expect to be able to recommend a total distribution for 1987-88 of 3.6p (3p).

TRNR informs holders of entitlement

By Mike Smith

TR Natural Resources, the Touche Remnant investment trust, yesterday told shareholders who have accepted a cash bid from Platou, the Norwegian company, that they will be entitled to a payment of about 103p for each share held.

The figure is based on a Formula Asset Value of 110p on October 17, the first closing date of the bid. Platou offered 94 per cent of FAV in its cash offer.

TRNR advised shareholders who have not already accepted the bid to continue ignoring Platou's paper offer which is equivalent to 95 per cent of FAV. The cash offer has been closed.

Platou has received acceptances from holders of about 53 per cent of shares, including its own, but intends to place anything it receives above 54 per cent. The trust's London listing will continue.

Amercoeur Energy

Amercoeur Energy, recently placed on the Third Market, revealed a return to profits in the six months to end-June 1987.

The group reported taxable profits of £55,000 against a loss of £73,000, on turnover sharply increased from £26,000 to £516,000.

Northern Telecom to reduce STC stake

By Terry Dodsworth, Industrial Editor

Northern Telecom, the Canadian telecommunications group which has just taken a 28 per cent stake in STC of the UK, has agreed to cut its holding to 24 per cent and not to buy more shares in the British company.

The standstill arrangement, concluded along with the share purchase three weeks ago, means that Northern would face considerable difficulties in trying to mount a full bid for STC, the country's second largest electronics group. It will also put the Northern stake below the critical 25 per cent mark at which it could block a special resolution if it wanted to.

There has been some speculation in the City that Northern might make a move for the whole of STC at some point. This would be a politically contentious step because of STC's ownership of ICL, the country's largest computer manufacturer. But the key factor behind the standstill agreement was objections from Fujitsu, the Japanese electronics company which provides ICL with some of its most important components.

According to Mr Edmund Fitzgerald, Northern's chairman, the shareholding agreement was reached mainly because the Japanese group was not happy with any deal that would have given Northern a stake in STC that was larger than the 24 per cent it bought from ITT, the US conglomerate.

The Canadian group had bought 4 per cent of STC in the open market, he says, to put pressure on ITT in the negotiations over the sale of the ITT stake. "Our original intention was only to buy the 24 per cent. We have no objections to reducing our holding," he says.

Although Northern has been given some time to sell the shares, it faces a considerable potential loss on the investment because of the collapse in the Stock Market since the acquisition. The 3.8 per cent which the company acquired in the open market cost it around £60m, but was worth just £48m yesterday, when the STC shares were trading at 228p.

STC directors, who took a leading role in approaching Northern to buy the ITT holding, were also strongly in favour of an agreement which gives some guarantee for the company's future independence.

Some executives involved in the deal stress, however, that no accord of this kind can be binding for ever. The main significance of the agreement, they say, is that it reinforces the point that ICL could not remain in the group in its present form if Northern tried to increase its holding. "Fujitsu would pull out of ICL if Northern became more aggressive," said one official.

Australian Inv lifts Wills stake

Australian Investors Corporation yesterday announced a further purchase of shares in the Wills Group, bringing its holding in the financial services and import company to 29.5 per cent.

The 50,000 extra shares in the company were bought at 185p per share, compared to AIC's outstanding general offer for Wills of 190p per share, which was made at the request of the Wills board.

Wills shares yesterday closed at 184p.

Courtaulds expands US paint interests via £83m purchase

Courtaulds, the textiles and chemicals group, is buying a rapidly growing US paints company for $140m (£83m) in a deal which will double the North American sales of its Courtaulds Coatings subsidiary, writes Ian Hamilton Fazey.

The company it is buying, Porter Paints, is based at Louisville, Kentucky, and specialises in protective coatings and architectural paints. Its products are seen as complementary to those of Courtaulds Coatings, which trades worldwide as International Paint and is the world leader in marine paint.

IP contributed £356m of Courtaulds' £2bn group sales last year. Porter's turnover was $120m (£75m) in the same period.

The deal means North America will now account for about a third of Courtaulds' paint sales and the company will rank about 15th in the North American paintmakers league table.

IP ranks tenth by volume in the world paintmaking league, which Imperial Chemical Industries leads.

It has been selling some less profitable businesses, such as its Birmingham car paints business two years ago to PPG, the US paint group, to concentrate on higher value-added markets and high technology niches within them.

IP is world leader in marine paints with 35 to 40 per cent of the market. It is also one of the world's three market leaders in powder coatings for industry in which paint comes in powder form containing only resin and pigment and is sprayed onto metal goods, adhering electrostatically before being cured by heating.

The attraction of Porter was a complementary range of protective coatings, particularly for concrete, and a highly profitable chain of trade paint centres servicing professional decorators throughout the mid-western and southern states.

Ian Hamilton Fazey on the bid for Porter Paints

An even coating worldwide

THE LATEST large acquisition in the world paint industry has seen Courtaulds Coatings bidding $140m (£83m) for Porter Paints of Louisville, Kentucky, a rapidly growing business where sales have been increasing at an annual 11 per cent for four years.

Porter, which has been displaying pre-tax profits growth of 24 per cent a year, was owned by a small group of private investors and members of its founding family.

Courtaulds - which trades in the industry as International Paint - had enough acceptances on Friday to be certain of control and announced the acquisition yesterday.

The purchase doubles IP's sales in the US and strengthens it in key markets, such as the high technology coatings which protect steel from hostile environments. Apart from a thriving decorative paint business, Porter has complementary products, especially for painting concrete.

Mr Michael Pragnell, IP's managing director, says that putting IP technology into Porter will enable the US management to market coatings such as IP's for lining tanks. Porter should also be able to exploit IP's mixing technology.

IP is world leader in terms of technology and market share - up to 40 per cent - in marine coatings. These are used to paint ships and yachts and has enabled similar coatings to be developed for oil rigs, waterside steel works and the like.

Technology enabled IP to keep growing in marine markets, despite the decline in world shipping, because it increased market share against competitors, many of whom dropped out.

This reflects general trends in the world's paint industry, with increasing globalisation of high technology products for specific markets. A paint company that controls the technology for a particular type of industrial coating can thus expect to dominate the market for it worldwide.

This has led to widespread buying and selling of paint companies - or parts of their technological portfolios - in the last four years. The idea is to build up technical and geographical strengths and dispose of weaknesses.

IP decided to specialise in marine and protective coatings and to dash for leadership in powder paints, a coming market.

The Porter purchase also gives IP an even worldwide spread throughout the three main regional markets of North America, Europe and the rest of the world.

IP manufactures in 22 countries, employing 5,000 people. Its US plants, in Union City, New Jersey and Houston, employ 400. Porter has two factories in Louisville, 117 company-owned stores for professional decorators throughout the midwest and south, and employs about 1,000 people.

More important to IP, however, is Porter's financial performance. It made profits of $9.2m on sales of $104.5m in 1986. Sales forecasts for the current year are $120m. This profit to sales ratio of 8.8 per cent contrasts favourably with IP's £21m on £356m sales - at 5.9 per cent still among the better in the paint industry.

Mr Pragnell stressed that improving the quality of financial performance was more important than achieving volume on its own. This involves leading in specialised markets with high technology coatings or superior service so that better prices can improve profitability.

British Assets nav at 107.5p

Over the year ended September 30 1987 net asset value at British Assets Trust rose from 77.5p to 107.5p.

For the year ended September 30 1987 net income increased from £8.62m to £9.64m, after tax £4.3m (£4.03m), for earnings of 2.46p (2.2p).

The final quarterly dividend is 0.6p for a total of 2.35p (2.05p). The final rate indicated a minimum payment of 2.4p for the current year, the directors stated.

UK COMPANY NEWS

Lucas hits £115m: restructure over

BY RICHARD TOMKINS

Lucas Industries, the motor and aerospace components group, yesterday reported a 20 per cent rise in pre-tax profits to £114.5m for the year to July and said its period of major restructuring was over.

The group has been rationalising its activities since the beginning of the 1980s in an attempt to eliminate severe losses in its core motor components operations.

Yesterday Lucas said the UK component operations had recorded their first trading profit for many years in the period just ended. The elimination of losses in this division was a major contributor to group profits growth during the year.

Closures and disposals in the division produced an extraordinary debit of £44.5m following the previous year's £46.3m. But group chairman Mr Tony Gill said he did not expect any further provisions on this scale. "We have resolved or are near to resolving all our major problems," he said yesterday.

SALES AND PROFITS BREAKDOWN

	1987 Sales £m	1986 Sales £m	1987 Pre-tax profits £m	1986 Pre-tax profits £m
Aerospace	431.8	329.9	36.8	31
Automotive	1212.4	1224.5	68.2	55.8
Industrial	176.2	161.2	9.5	8.4
Total	1820.4	1715.6	114.5	95.2

Mr Gill could not rule out the possibility of redundancies in the continuing operations because this would depend on the level of sales achieved. If they did become necessary, they would be achieved "in a civilised way with the agreement of our employees."

Group turnover rose by 6 per cent from £1.72bn to £1.82bn. Trading profits rose from £127.1m to £148.6m, related companies contributed £5.8m (£3m) and net interest payable rose from £19.6m to £22.8m.

With reorganisation and redundancy costs in the continuing operations taking £17.1m compared with £15.3m last time, the group pre-tax figure rose from £95.2m to £114.5m. Fully diluted earnings rose from 53p to 61.1p and a final dividend of 13.4p (10.4p) is recommended, making 16p (13p) for the year.

In addition to loss elimination in the UK motor components division, other major contributors to profits growth were the Lucas CAV diesel fuel injection operations in France and Spain, and the Lucas Girling companies making braking systems in West Germany, France and Spain.

Acquisitions in the aerospace division made an initial contribution of £4.2m to profits before financing costs. Lucas said it intended to continue building up the aerospace and industrial divisions by development and acquisition to provide a better balance between the group's three operating arms.

The group continued to benefit from the pensions holiday which it has been enjoying for the last two years and expects to enjoy for the next two.

Mr Gill said falling share prices should not affect this position because the pension fund's valuation derived from the dividends on its investments rather than on their capital values.

See Lex

Airtours warns of profits shortfall

BY MIKE SMITH

Airtours, the package tour operator, warned yesterday that "exceptional market conditions" had severely dented pre-tax profits for the year ended last month.

It is expected to have made about £2m, against the £2.25m it predicted when it joined the stock market last March.

Mr David Crossland, chairman, blamed more than half of the profits shortfall on the air traffic controllers' strike this summer in Barcelona and terrorism in Tunisia. These factors led to empty seats and lower-than-expected margins.

Airtours' problems were compounded by over-capacity, particularly in Manchester, from which most of the company's flights go. The price-cutting war among operators was the most serious in 20 years, said Mr Crossland, and overcapacity had surprisingly continued into the high season.

The company has planned next year's tour operations and flight programme to avoid a repetition. Its cash position is "healthy" with about £5m in hand. The board is recommending the 2.7p net final dividend indicated at the time of the flotation.

Mr Crossland and fellow director Mr Tom Trickett are to waive their dividend entitlements to save the company about £298,000. They will also immediately exercise part of their warrant entitlement under a scheme, announced yesterday, even though the exercise price of 200p is nearly twice yesterday's closing share price of 105p, down 43p.

The issue will be made on the basis of one warrant for every 10 shares held in the company. Other shareholders will be able to exercise over a period of several years.

Airtours' programme for next year will involve a cutback of 5 per cent in its Manchester capacity. It will, however, increase flights from Stansted to the Caribbean and the Mediterranean, on which margins are relatively high.

Underwoods profit unchanged

BY FIONA THOMPSON

Underwoods, the multiple retail chemist, yesterday reported flat pre-tax profits of £1.01m for the six months to July 31 1987, virtually unchanged on £1m for the same period last year.

"The figures were a disappointment," Mr Brian Kerner, managing director, admitted, blaming the weather and the high cost of opening new branches. Though the first quarter was very good, sales from May to July were hit by the bad weather.

"Summer products were particularly badly affected, the drop in holiday snaps, for example, helping photographic sales slip from 13.2 per cent to 11.8 per cent of total turnover".

The expansion programme brought with it heavy costs, he said. Three new stores were opened in the six months, two in London and one in Chatham, and an existing business in Romford was purchased and completely refitted. Since July 31, five more stores have opened, two in central London and three in the London suburbs.

The financial year began with 48 stores offering 159,000 sq ft of net sales area. With the nine new openings, and three closures, the year end total will be 54 stores with a net sales area of 181,000 sq ft. In addition, the company is just completing a £1m refurbishing of 15 stores.

"We had been hoping for volume growth of 6 to 7 per cent for the first half," said Mr Kerner. But it reached just 4 per cent. The 11 stores opened in 1986 made a nil contribution to profits this time, but are expected to come through in the second half.

Turnover this time rose 27 per cent to £26.06m, compared with £20.56m. After interest payments of £163,000 (credit £50,000) and tax of £304,000 (£272,000), earnings per share slipped to 2.6p, against 2.7p.

An unchanged interim dividend of 1p was declared.

•comment

Yesterday's figures were even worse on second glance, once the £250,000 property profits were stripped out, and City analysts were rapidly lowering their full year forecasts. The company appears to have tried to expand too quickly, thereby boosting borrowings and interest payments, while overestimating results from the new out-of-London stores. These sites generate just £228 sales per sq ft, compared to £389 in London, and replicas of the London stores have not been a success outside the capital - the out-of-London consumer is more interested in the basic chemist and toiletries range than the peripheral fashion accessories and electrical goods. The problem is, the company has based its growth plans on the idea of a nationwide chain (there are 37 central London, eight London suburban and nine out-of-London sites now), and its growth opportunities are fairly limited if it is seen just as a central London retailer. The shares closed 14p down yesterday at 145p. Assuming pre-tax profits for the full year of about £3m, that puts them on a prospective p/e of 18.5, too expensive given the prospects at the moment.

FII Fyffes takes stake in Irish Distillers

By Mikki Tait

Forming one of the rare bright spots in yesterday's continued market plunge, Irish Distillers shares jumped 25p to 220p on news that FII Fyffes, the Dublin-based fruit and vegetable merchant, has acquired a 5.3 per cent holding in the company.

A further 14.7 per cent interest is held by Development Capital Corporation, financial advisers to FII Fyffes.

With the Republic of Ireland enjoying the October holiday yesterday, neither FII nor Irish Distillers were available for comment. However, Irish Distillers - which produces Jameson, Bushmills and Black Bush whiskies as well as vodka, gin and white rum - saw one longtime shareholder, Seagram, depart last June with the placing of its 13.8 per cent stake amongst "friendly" institutions.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres-ponding div	Total for year	Total last year
City of Oxford	int	0.6	Dec 14	0.6	-	1.75
Foward Groups§	int	0.8	Dec 31	-	-	-
French Connect§	int	1.75	-	1.75	-	5.25
Grand Central	int	0.3	-	0.25	-	0.55
Intl City Hldgs	fin	6	-	6	9	9
Lucas	fin	13.4	-	10.4	16	13
McKechnie	fin	8.2 †	-	7	11.5	10
Securities Tst.	int	1.2	-	1	-	3
Underwoods	int	1	Dec 4	1	-	2.5
Unitycorp Trust	fin	2.75	-	2.66*	2.75	5.33*
Usher-Walker	int	2.7	Dec 10	2.45	-	8.05
Value and Income	int	0.63	-	0.63	-	1.25

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. ‡USM stock. §Unquoted stock. ØThird market.

UK COMPANY NEWS

McKechnie tops City forecasts with £27.6m

BY STEVEN BUTLER

McKechnie, the engineering and plastics group, yesterday reported a 45 per cent increase in pre-tax profits to £27.6m, the acquisition for £8.85m of Anson Plastics, which makes thermoplastic tubing and high pressure hose, and the disposal of its 40.9 per cent holding in Macdem of South Africa for R20m.

The results topped city expectations and McKechnie shares yesterday were off 13p,at 312p.

Sales increased by 14.9 per cent to £244m, while earnings per share moved ahead 15.5 per cent to 24.6p. Dr Jim Brown, chairman, said the underlying. rate of earning's growth for the year was 28 per cent, with earnings boosted in the previous year write-offs against the tax charge. The full-year dividend came to 11.5p, up from 10.0p.

The improved results, about half attributed to acquisitions, showed across the divisions of the group, whileplastics and specialist products showed the fastest expansion.

Profits in the metals division moved up from £8.09m to £12.06m. The previous year's results were hit by rationalisation expenses.

Plastics, which has been the subject of much acquisition activity, also moved well ahead from £4.72m to £6.15m. Dr Jim Butler, chairman, said plastics were expected to continue providing a source of strong growth for the company.

Consumer products profits finished with a 25 per cent improvement to £7.43m, while profits in specialist products nearly doubled from £1.59m to £3.84m.

Although borrowing was up, gearing had dropped to 28 per cent from a high of 35 per cent earlier in the year. Dr Butler said the group's cash flow and strong financial position would allow it to continue its acquisition programme, which was expected to account for about half of the group's future growth.

The consideration for Anson is to be satisfied by the issue of £5.5m of unsecured loan stock, 499,430 of new ordinary shares, and £1.6m in cash.

•comment

McKechnie had a nice surprise for investors yesterday, owing to an unexpectedly strong second half performance, and this bodes well for the current year. The group is in excellent financial health and can rely on its own strong cash flow to provide further expansion. The group has only limited exposure in the US, and a fall in the US dollar or a slowdown in the economy could make expansion in that market considerably cheaper. Forecasts for the current year of £32m, likely to stand except in a severe recession, put the shares on a prospective multiple of 10.9. That would appear to be as safe an investment as any in today's market.

French Connection poised for growth as profits doubled

BY ALICE RAWSTHORN

French Connection, USM-quoted fashion group, announced that pre-tax profits had doubled to £2.5m in the first half of the financial year reflecting the continued recovery of its operations in the UK and the US.

Mr Stephen Marks, chairman and chief executive, said that "having put our house back in order" the group was poised for expansion. French Connection is keen to develop its retail activities in the UK and is considering whether to take advantage of the recent plunge in the stock market to do so through acquisition.

Group turnover rose to £30.6m (£22.5m) in the six months to July 31. Earnings per share increased to 8.3p (4.7p). The interim dividend is unchanged at 1.75p.

Retailing in the UK recovered from its lacklustre performance in the first half last year, when the business suffered from dismal weather and the burden of an expensive advertising campaign.

Mr Marks said that the Nicole Farhi shops had fared especially well. The first European shop has just opened as a franchised unit in Finland. The Western Group chain, acquired a year ago, improved its performance. The group is considering plans for its development.

The reorganisation of Best Of All Clothing in the US is complete and the business, in which French Connection has a 50 per cent holding, produced pre-tax profits of £750,000.

•comment

For a company like French Connection, which has borne the wrath of the stock market so often when delivering unpleasant surprises in the past, it must be particularly galling to "waste" such good results on so unsympathetic a climate. In a more orderly market these results would have been greeted with a rise in the share price. But the market was anything but orderly yesterday and French Connection's shares, which had recovered some momentum until last week's tumble, fell farther. The business is, however, in much better shape. Nicole Farhi is coming to fruition and the restructuring of both Best Of All Clothing and Bukta has been completed. The City expects profits of £5m or so and a prospective p/e of 8½ for the present year. But French Connection has dealt so many unpleasant surprises in the past that, even in an orderly market, the City would want further proof of recovery before considering a re-rating.

Grand Central

Profits before tax of Grand Central Investment Holdings, a food production and distribution company, rose from £143,000 to £358,000 over the first six months of 1987.

Interim dividend is lifted to 0.3p (0.25p).

Overseas Strategic has 6.2% stake in Whessoe

BY NIKKI TAIT

Whessoe, the troubled engineering group, has fallen prey to Antipodean stake-building, with Overseas Strategic Investments yesterday declaring a 6.2 per cent interest in the company.

The OIS stake, just over 1.1m shares, has been built up through a nominee name over the past two to three months, according to Whessoe's chief executive, Mr Bill Smart. However, Mr Smart added that there has been no contact with OSI, beyond the formal notification.

Overseas Strategic Investments is based in Hong Kong and a subsidiary of Proberush - which is itself a wholly-owned subsdiary of Overseas Strategic Holdings. However, ultimate ownership is believed to trace back to Melbourne-based entrepreneur, Mr Dick Pratt, whose operations span paper, packaging and financial services with additional banking and investment interests in the US and Hong Kong.

In recent months OSI has emerged with declarable holdings in Redfearn National Glass, Office and Electronic Machines and has built up a 12 per cent interest in property investment, building and civil engineering company, Rush & Tompkins.

Whessoe, whose activities span heavy engineering, pressure pipework and measurement and monitoring systems manufacture -with power station orders having considerable impact - has seen minimal profits advance between 1981 and 1986.

In the year to end-September 1981, it made £4.58m before tax and in 1985/86, £4.75m; the highest figure between those years was £6.88m in 1982/3. In the half year to end-March 1987, the company tumbled into the red, reporting a £5.36m loss before tax - blamed on the shortage of work at adequate margins on the heavy engineering and pipework sides.

Yesterday, however, the Antipodean interest failed to prevent a further 7p drop in the share price to 98p.

Investors Capital

Net asset value per 25p share at Investors Capital Trust rose from 311.9p to 489.44p in the year to September 30 1987. The total dividend is increased to 12.7p net, from the 7.4p of the previous nine months. T

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetables.

TODAY

Interims- Anglo American Coal, N. Brown, Toshiba Holdings.

Finals- Japan Assets Trust; Majedie Investments, Microfilm Reprographics, Portland Group, Pressac Holdings, Reilly Useful.

FUTURE DATES

Interims-	
Brown Shipley	Nov 18
Coloroll	Nov 2
Cater Allen	Nov 10
GT Management	Nov 12
Havelock Europe	Dec 8
Healthcare Services	Nov 9
Reed International	Nov 4
Streetley	Nov 4
Swandon Private Hospital	Nov 2
Thames TV	Nov 12
Finals-	
Five Oaks Investments	Nov 8
Kwik Save Group	Nov 26
Polytechnic	Nov 18

Marley in £6m disposal

BY DINA MEDLAND

Marley, the building materials company, has sold W G McMahon, its Canadian flooring distribution business, for C$13.4m (£6.2m) in a management buyout led by the current president of the business, Mr Ken Sutherland.

The sale price reflects the net book value of the business and assets at September 30, but is subject to adjustment on receipt of audited accounts.

The buy-out is to be financed by $3.1m in debentures repayable over five years and $2m of preference shares. The balance will be payable in cash on closing.

The sale does not include the freehold trading properties, which are to be separately sold to a third party, Marley said.

W G McMahon made pre-tax profits of $1.5m on turnover of some $63m in the year to September 30. Marley group pre-tax profits were up 39 per cent last year to £34.16m.

Comac profit doubled in first half

Comac Group, a specialist in the provision of computer personnel and a member of the Third Market since June, increased its first half profits from £22,072 to £54,502 pre-tax.

The directors remained confident that the growth potential seen in the contract computer personnel market generally, together with existing opportunities to expand the company's client base, provideed an excellent base for future prosperity.

Turnover for the half year to end-June rose from £1.71m to £2.66m. Earnings per 5p share totalled 3.34p (1.31p). There is no interim dividend but as promised in the prospectus a final of 1.2p is expected to be recommended.

Tax accounted for £19,884 (£9,004) leaving attributable profits at £34,618 (£13,068).

Forward up 40% to £0.6m at midterm

Forward Group, manufacturer of hi-tech electronic printed circuits which came to the USM last February, continued the profits growth shown in May's preliminary statement.

Pre-tax profits for the six months to end-July 1987 came out some 40 per cent higher at £588,000 against £420,000 for the comparable period. After tax of £212,000 (£164,000), earnings per 5p share rose to 5.2p (3.7p).

Mr Ray Chamberlain, chairman, stated that the increase in turnover,up from £1.46m to £2.77m, was attributable to additional production capacity made available by the acquisition last November of a factory in Rugby.

Efforts to bring the facility at Rugby up to the group's existing production levels had resulted in the anticipated reduction in margins.

In line with February's prospectus, the interim dividend is 0.8p per share.

Share Stakes

The following changes in shares stakes were reported during the past week:

Atlantic Computers - Mr S.P.Mason, director, sold 25,000 shares at 583p on October 20 and a further 25,000 on October 21 at 595p.

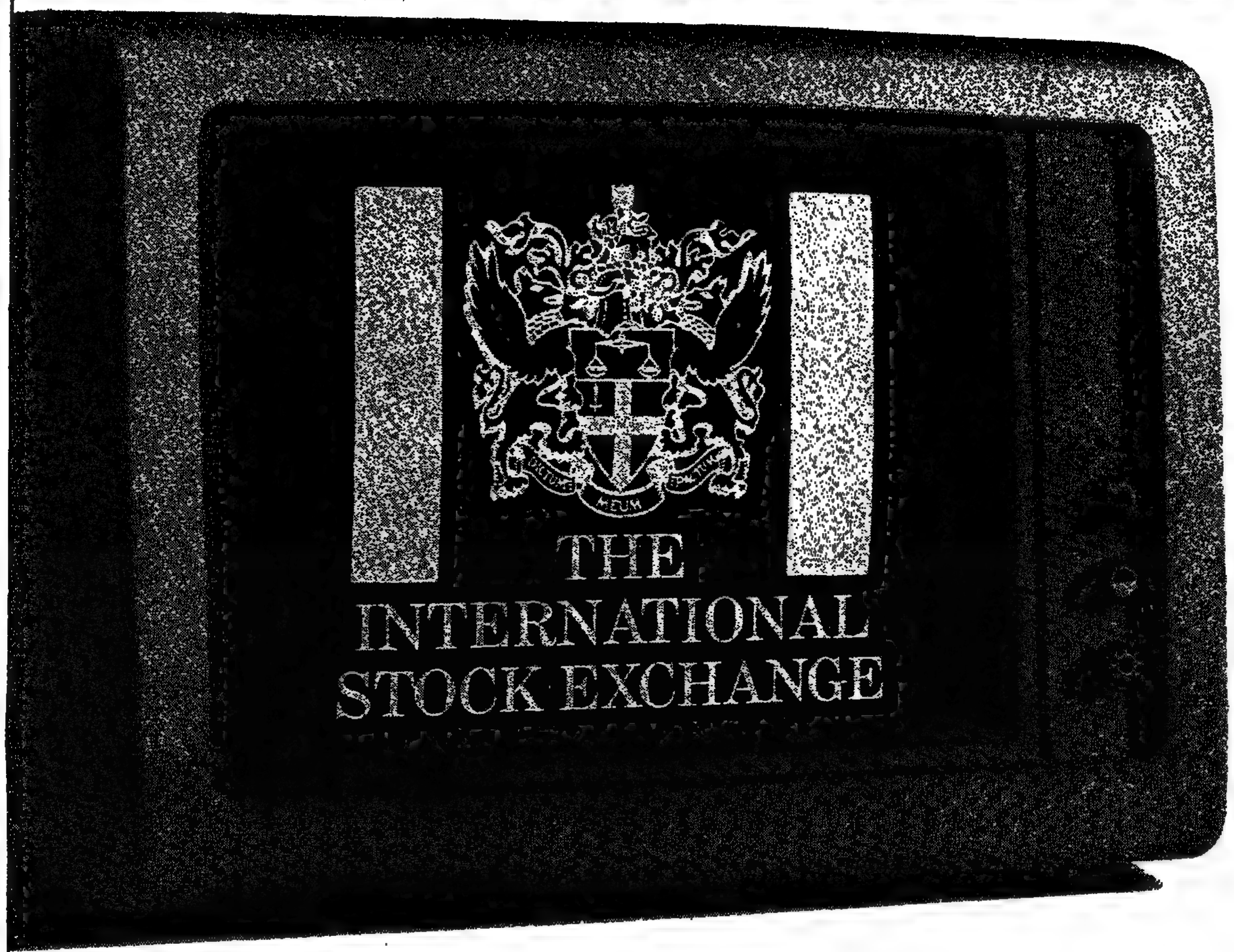
Racal Electronics - Sir Ernest Harrison, chairman, sold 100,000 shares at 230p on October 22.

Memory Computer - Mr Aidan McKenna and Mr Pearse Mee, directors, bought 100,000 shares at prices from 35p to 37p on October 22.

Thurgar Bardex - On October 21 Mr C.O.Nye bought 50,000 shares at 90p through Starling Investments of which he and his father are the sole directors. Mr Nye holds 1,250 shares beneficially and 3.82m through Starling.

CALA - Mr Anthony J. Kelley, director, has acquired 10,000 at 115p and holds 410,000 shares (1.4 per cent). Mr Michael J. Whittles, director, acquired 15,000 shares and holds 171,900 (0.6 per cent).

A year after Big Bang, how does the world see us?



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Nicholas Goodison

Sir Nicholas Goodison, Chairman of the International Stock Exchange

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THE INTERNATIONAL STOCK EXCHANGE

UK COMPANY NEWS

International City 22% growth to £17.26m

PROFITS of International City Holdings moved ahead strongly in 1986-87 rising to £17.26m pre-tax, an improvement of 22 per cent over the previous year's £14.19m.

The comparative figures have been adjusted to reflect the merger with Charles Fulton (Asia) which took place last December.

Leading the way was an increase from £1.24m to £6.61m in securities broking operations. Money and futures broking slipped to £10.6m from £11.96m but the financial and technical services contribution rose by £580,000 to £1.94m.

Turnover for the year to end-July was £115.8m (£69.43m).

Earnings per 25p ordinary emerged at 24p (25.8p) fully diluted. The total dividend is maintained at 9p with a proposed final payment of 6p.

The directors said in the UK the Financial Services Act is introducing a new system of regulation which will affect the group in many ways. Probably the most important single effect, notwithstanding the need to operate within four new sets of regulations, is the need for dedicated capital, based on the company's level of business activity.

As the company becomes more successful, they will be requiring increasing amounts of capital. Although not at risk, this one item will tie up substantial amounts of the group's resources. Currently over £30m of capital is dedicated throughtout ICH and this is likely to increase substantially when the new legislation comes fully into force.

•comment

Down 18p yesterday to 170p, ICH's shares have fallen by more than 100p since the market maelstrom began and now stand at a 20p discount to the price at which the shares were first offered to investors in November 1985. Into this rapid derating, only one thing can be read: present market conditions have stripped out all the froth associated with takeover speculation. The difficulty for ICH is that without a capital injection of some kind, it is going to find it difficult to meet the capital adequacy requirements currently being mulled over by the authorities. A rights issue is of course out of the question, and further borrowings would further weaken the balance sheet. Only the historic yield of 7 per cent - on an unchanged dividend - can possibly be considered attractive and the prospect for the shares remains lugubrious.

Owners Abroad in £0.5m purchase

BY DINA MEDLAND

Owners Abroad, the tour operator and airline seat broker, has agreed to buy 76 per cent of Top Hat Tours, which trades as Martyn Holidays, from Mr Martyn Harrison for £500,000, payable by a loan note redeemable in 1991.

Martyn Holidays specialises in inclusive tour holidays to the Algarve, and sold 100,000 holidays in the year ending October 31, the bulk of which were to Portugal. The company made pre-tax profits of £189,225 on turnover of £9m in 1986.

Mr Martyn Harrison, who formed the company in 1983, will continue to be responsible for its day-to-day management. The company will also receive loans amounting to £185,000 from Owners Abroad.

Owners has an option to acquire the remaining 24 per cent of Martyn's equity for a cash sum in 1991 which will be linked to pre-tax profits for the three years ending October 31, 1990, but will not exceed £1.5m.

Good start for Chelsea Artisans

Chelsea Artisans, which joined the Third Market at the end of May and which claims to be Europe's largest independent specialist developer, manufacturer and installer of mirror products, got away to a good start with pre-tax profits for the six months ended June up from £9,000 to £88,000 on turnover which was up 86 per cent from £468,000 to £870,0000

Mr Roger Leach, chairman, said the substantial improvement was due to a judicious combination of factors especially tighter focusing of marketing efforts which secured the considerable increase in sales, and the greater, more efficient productive capability at the Hersham factory as production rose.

Mr Leach said the order book was, as expected, strong for the remainder of the year. Indications were that profit margins on this business would hold up well. He remained confident that the full year forecasts announced in the prospectus — turnover in excess of £1.8m and pre-tax profits of not less than £195,000 -- would be met.

Tilbury sells plant hire operation to management

BY CLAY HARRIS

Tilbury Group, the contracting and property company, yesterday sold its plant hire operation to the unit's management for £10.7m in cash.

Management of Tilbury Plant, which will retain its name at least initially, suggested the buy-out after learning that another quoted company had approached the parent company with and offer to acquire the operation.

It was advised by County NatWest Ventures, which co-underwrote the buy-out with Security Pacific Hoare Govett Equity Ventures. Five other venture capital institutions have also subscribed for a mixture of ordinary and preference shares.

In 1986, Tilbury Plant (part of the West's Group International subsidiary) achieved pre-tax profits of £316,000 on external turnover of more than £3m. At the end of the year, it had net liabilities of £716,000.

It operates from nine depots, mostly in southern England, a few of which have begun to hire power tools to the DIY market as well as larger construction equipment.

The buy-out was led by Mr Bob Drinkwater, managing director, and Mr Fred Chapman, finance director, but 11 regional and depot managers have also subscribed for ordinary shares, the ultimate value of which is performance-linked.

The disposal proceeds - which include the sale of freehold property and repayment of intra-group borrowing - will be used to concentrate the group's resources on property and contracting, Tilbury said.

Anglo Leasing

Anglo Leasing, the leasing subsidiary of J Rothschild which was floated on the stock market earlier this month, announced a 21 per cent increase in pre-tax profits to £2.56m for the half year to end-September, compared with £2.11m.

The directors are paying an interim dividend of 1p.

Jefferson Smurfit

In the third quarter ended September 30 Jefferson Smurfit Corporation, which is 78 per cent owned by Jefferson Smurfit Group, improved pre-tax income to $44.75m (£27m) against a previous $16.82m. For the nine month period taxable income rose from $38.47m to $103.84m.

Net sales for the three months were $282.7m ($240.04m) and for the nine months stood at $809.1m ($703.54m).

G.W.Thornton

G.W.Thornton, Sheffield-based maker of precision forgings, is buying Greenwood Taylor for a maximum £3.02m in shares. It has also forecast consolidated profits for the 53 weeks to October 3 1987 of not less than £725,000 with a final dividend of 2.25p.

Usher-Walker profits rise in first half

Usher-Walker, the London manufacturer of printing inks and rollers, increased its pre-tax profits from £325,000 to £507,000 in the six months to June 30 1987. The interim dividend is raised from 2.45p to 2.7p - last year's total was 8.05p net from pre-tax profits of £705,060.

The directors said the improved result came from increased sales volumes - turnover climbed from £5.54m to £9.96m - particularly to newspapers, and the slight improvemnent in margins which began in the second half last year.

Stated earnings per 10p share in the opening half improved from 8.36p to 14.1p.

Intl Colour flotation is postponed

BY ALICE RAWSTHORN

Yet another proposed new issue has fallen victim to last week's dramatic downturn in the London stock market.

International Colour Management, a company which produces colour identification and measurement equipment, has decided to postpone its planned flotation until the stock market recovers.

Originally ICM had intended to go public at the beginning of November. After last week's plunge it has decided to defer the flotation. Nevertheless the board hopes to join the market before the end of the year.

Dwyer back in the black

Dwyer, Dublin-based property investment and dealing company, reported pre-tax profits of £775,806 for the year ended September 30 compared with a loss of £43,447 for the previous year. A return to the dividend list is promised for the current year

Total income rose from £109,047 to £3.65m and the operating profit amounted to £1.27m (£9,404). Tax took £279,450 (£3,952) leaving earnings per share of 8.46p (3.19p loss).

Mr Desmond Bloom, chairman, said the group had built a strong rent roll and was well placed to take advantage of further opportunities. Earlier in the present six months the company acquired a portfolio of properties for £10.74m from Authority Investments.

The acquisition of a portfolio of seven properties from British Land for £7m, was also announced by Mr Bloom, satisfied by £6.25m cash and 280,000 shares.

Auto Products first half pick-up

Automotive Products, a subsidiary of BBA Group, had a much better experience in the first half of 1987, compared with the second six months of the previous year, turning in a profit of £3.7m.

In the first half of 1986 the company made £3.9m. But by the year end that had turned into a loss of £7.4m, including exceptional costs of £10.5m.

The directors said after a slow start the UK motor industry picked up well.

Turnover in the six months amounted to £142.1m (£144.4m).

UK APPOINTMENTS

Joining Ofrex board

OFFREX GROUP HOLDINGS, a wholly-owned subsidiary of Gallaher, has made the following board appointments from November 1. Mr S.J. Loffler, group marketing director, becomes managing director; Mr D.R. Llewellyn, managing director, Eastlight, joins the board; Mr J. Cameron, managing director, Rexel Engineering, joins the board as engineering director; Mr R.A. Murphy, marketing director, Rexel, is made group marketing director. Main board member Mr D.F. Thompson, chief executive of Rexel, is in addition appointed chairman of Rexel Engineering. Mr H. Hollants has been appointed export director of Eastlight; and Mr S.J. Gardner, retail marketing manager of Rexel, becomes marketing director of The Cumberland Pencil Company, a Rexel subsidiary.

*

Mr Andrew Maclean has been appointed managing trustee (director) and chief general manager of MUNICIPAL MUTUAL INSURANCE. He also becomes managing director of all its subsidiary companies. Mr Gerald Lowthin, has been appointed general manager. Mr John Payne and Mr Keith Gudgeon have been appointed assistant general managers.

*

PEAT MARWICK MCLINTOCK has appointed Mr Eddie Oliver as a partner from February 1988. He is deputy chief executive of the London Docklands Development Corporation.

*

Mr Eric Tindall, who recently retired as director general of the Road Transport Industry Training Board, has been appointed chairman of SKILL-UK in succession to Mr William Thorpe, who has retired through ill health. Mr Peter Whaley, former head of press and public relations for the Construction Industry Training Board, has been appointed by Skill-UK as chief administrative officer for the 1989 International Youth Skill Olympics.

*

Mr Douglas E.W. Oliver has been appointed a director of FIBI FINANCIAL TRUST, UK banking subsidiary of The First International Bank of Israel. Mr Moshe Koren, deputy general manager of the bank, also joins the board of its UK subdidiary.

*

SCIENTIFIC COMPUTING SERVICE has appointed Dr T. Ric Willitts as managing director; Mrs H. Sandra Baker as company secretary and director; Mr Charles H. Whittington as marketing director; and Mr Richard H. Pickard as technical manager.

*

Mr David Westcott has been appointed to the new post of national director of personnel at BINDER HAMLYN. He joins from a similar post with Peat Marwick McLintock.

*

Mr Graham Cooper has been appointed marketing director of AUTOTYPE INTERNATIONAL, Wantage, a Norcros group company. He was managing director of Payne Packaging, another Norcros company.

*

Mr Stanley W. Young has been appointed managing director of C.SHIPPAM, an IC Industries company. He was production and purchasing director. Mr Jim Shippam, who previously held the post, becomes executive vice president/Europe for PET's international group, the US parent company. He will continue as executive chairman of Shippams and its operating subsidiary in the Netherlands - Old El Paso Foods.

*

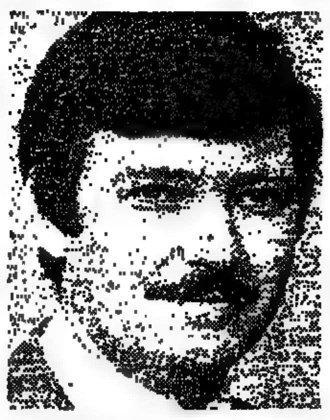
ROBINSON INSTRUMENTS has appointed Mr George Lupton as technical director. He was engineering manager with Thorn EMI Instruments.

*

Mr Alan H.M. Kelsey and Mr Nicholas C. Spearing have been appointed main board directors of KITCAT & AITKEN & CO, a member of The Royal Bank of Canada Group.

*

CELLTECH has appointed Dr Gwyn Humphreys to the newly-created post of director of academic liaison. He was director of marketing - microbiology.



Dr Gwyn Humphreys, director of academic liaison, Celltech

*

Mr Tony Conner has been appointed sales and marketing director of newly-merged TIFFANY SHARWOOD'S FROZEN FOODS, a subsidiary of RHM. He was sales director of Bovril.

*

Mr Bill Findlay has been appointed managing director of SPENCER (ABERDEEN). He succeeds Mr Archie Glen, who has retired.

*

THE ROYAL BANK OF SCOTLAND has appointed Mr Ian Cowan as managing director, Royal Bank Insurance Services.

*

Mr Alan Marsh, an executive director of MIDLAND MONTAGU VENTURES, has been appointed director, corporate marketing.

*

Mr Kevin J. Thompson has been appointed group financial controller of HALMA. He was financial controller of AMC Chemicals.

*

PETER PAN PLAYTHINGS has appointed Mr James Trumper as financial controller/director designate. He joins from Arthur Andersen & Co.

*

Mr Nicholas Cobbold has been appointed chairman and Mr Tim Stephenson managing director of a new company, STEPHENSON COBBOLD. Mr Andrew Mackenzie and Mr David Bateson join the board. All were formerly with Wrightson Wood.

CONTRACTS

Gleeson wins £6m orders for refurbishment work

M.J.GLEESON GROUP has started work in London and Sheffield on contracts totalling over £6m. In Hackney, Gleeson is completely rehabilitating for the Borough Council 93 occupied flats - including new doors, windows, roofing and lift and refuse towers - and is also refurbishing and converting a block of flats into a pair of semi-detached houses at a total cost £2.32m. At Wapping, Gleeson is refurbishing an 18th century crane wharf for £1.48m. The work involves basement car park, underground drainage, lift pits and ramps, together with new basement, mezzanine and ground floor slabs, as well as minor works. In Sheffield, Powerminster, a specialist services subsidiary of Gleeson, has won three contracts worth £2.5m, the largest being an order for the replacement of heating systems in five 126-flat tower blocks owned by the City Council.

*

Contracts worth over £8m have been won by Midlands construction companies belonging to RAINE INDUSTRIES. They include over £4m of work secured by A.H.Guest and a £1.6m contract won by Ford and Weston for a 53,000 sq ft headquarters *for Cheshires of Nottingham,* carpet wholesalers, at Bulwell, Nottingham. Due for completion next June, the new base will enable Cheshires to treble its storage space.Guest also starts work shortly on a £1.6m envelope scheme for 163 prewar dwellings for Birmingham City Council and on a £1m sheltered housing scheme in Broad Street, Pershore, Worcs and Hereford for Coventry Churches Housing Association.

*

HALLAMSHIRE CONSTRUCTION has been awarded contracts amounting £4.4m. The two largest orders were for a distri*bution centre for the Royal* National Institute for the Blind worth £1.45m and the fitting out of a new administration centre in Peterborogh for the Norwich & Peterborough Building Society at £806,000. Successful tenders secured by the Chesterfield office are worth £825,000 and include building work on a factory, warehouse, hospital and office projects for AMCO Plastics, Unbrako Steels, North Derbyshire Area Health Authority and Carlton PSV. Other contracts worth £1.1m include a fitting out order for Gateway at a new supermarket in St Neots, Cambridgeshire for £372,000; a series of retail refurbishment and redevelopment projects in East Anglia costing £335,000 for Westwall Properties and Dovearch and work worth £421,000 for the Property Services Agency, Eastern Electricity, Dobson Park Industries and Electrocomponents.

*

SDC BUILDERS, Bedford, is involved in a wide variety of work ranging from Listed building refurbishment to converting a former boiler house into a freezer centre, building a new style restaurant and a £500,000 demolition order in a batch of contracts, worth over £5m. The refurbishment is at the Flitwick Manor Hotel, Bedfordshire, where a stable block is being converted into extra bedrooms. The freezer project is for Bejam at Peterborough, the first time that they have opted for a design and build scheme and the demolition of a mill for BOCM at Port Sunlight, Merseyside. The restaurant, costing £142,000, is for Pizza Hut in Islington and includes new designs in joinery and glasswork.

The largest of the new contracts is an order, worth over £1.4m, placed by Altro whose offices and factory at Letchworth are to be upgraded and extended. The rest include general work for two Ford divisions at Dagenham, Austin Rover at Swindon, London Brick, Druce and Co at the Hammersmith Railway Arches, £1m worth of sheltered flats for the Industrial Dwellings Society at Shoreditch and a £550,000 underground superloo for British Rail at London's Liverpool Street Station.Most of the jobs are due to be finished by the end of the year, the rest by next summer.

*

Work is underway by TARMAC CONSTRUCTION on two building projects on neighbouring sites in Guildford, Surrey.Earlier this year the company began a £5.4m contract to build a five-storey office development in Park Street. Now work has started on a £2.5m five-storey YMCA hostel on an adjacent site in Bridge Street. The office development, for Hardanger Investments, is scheduled for completion next summer and the hostel, for Guildford YMCA, in the summer of 1989.

Other contracts, worth about £4m, have also been awarded to the company. They include a shop and offices in High Street, Maidenhead, for Crusader Insurance (£856,000); repairs to wagon shops at St Blazey, Cornwall, for British Rail (£385,000); and external refurbishment of premises in Hamilton Square, Birkenhead, for Wirral Borough Council (£249,000).

The company's contract housing division has a number of contracts.

COMMODITIES AND AGRICULTURE

Crop gloom lifts US rice prices

WORLD ROUGH rice prices have risen shaply this year as the market faces its first shortfall in seven years. With rough rice currently trading at around $9 per cwt, US rice has regained its footing in the export market and is cashing in on poor harvests in some of the world's biggest rice producing countries.

Since the Administration changed the US price support system in 1985, which became effective with last year's crop, US growers have been able to sell at world prices. This has seen a big export drive to move over 2m tonnes of rice stocks, which had accumulated in the 1980-85 period, when US prices were uncompetitive.

US rice exports are getting a further boost this year because of world shortages. Adverse weather conditions in Thailand, the world's largest producer, and drought in India and Bangladesh have devastated harvests and cut the amount of rice available for export.

In fact, poor weather particularly in Arkansas, has reduced US rice yields by around 4 per cent. But this is not likely to have much effect on the amount available for export. US rise output reached a record 6m tonnes last year, and around 65 per cent of the rice crop is exported.

World trade in rice is just more than 12m tonnes, or about 4 per cent of total output. This makes rice unusual in that around 90 per cent of production is consumed within 50 miles of where it is grown, according to Mr Steve Gabbert, vice president of the US Rice Millers Association.

The relatively small amount entering world trade makes rice an extremely volatile commodity, Mr Gabbert says. He expects some continuing rise in world prices this year as world stocks are drawn down further. He is concerned that this will reduce the margin of safety if the same weather conditions depress output again next year.

Japan has had a bumper harvest, Mr Gabbert notes, but its chief crop is short grain rice, which is not in such wide demand on the world market.

Rice trading, which has a chequered history in the US, got off to another start last year with the relaunch of a rough rice futures contract on the Chicago Board of Trade in August. Since then, the contract took a while to get going. However, the changes that were made to it, including restricting delivery points to 12 sites in north-eastern Arkansas, have made it much easier to use.

Mr Scott Minton, who trades rice for Stottler and Co, believes the futures contract is becoming a focal point for pricing international deals. Rice futures have been volatile since early August, when news of poor harvests started to trickle in. Since then the futures contract, which trades a modest 300 to 700 lots a day, has seen prices double to $10 a cwt.

At the same time US milled rice is selling in the Gulf at between $12 and $17 a cwt. Iraq is an important US export market, buying 373,000 tonnes of US rice last year. Iraq has been a major buyer of US rice last year. Iraq has been a major buyer of US agricultural products under a system of export credit guarantees. In this, it has supplanted Iran which used to buy a significant amount of US rice. The level of Iran's rice imports from the US has dwindled since the late 1970s when the Shah was deposed and today stands at virtually nil.

There is also a demand in Europe, however, for US brown and parboiled rice, according to Mr Gabbert, who says the US ships rice to over 200 countries.

Mr Gabbert, who has just completed a tour of the major rice producing regions in South-east Asia, says he is pessimistic *about those countries' rice* crops. He expects China to become more of a factor in the world rice trade in future years as world prices rise and it becomes more profitable for the country to buy wheat and sell rice.

Meanwhile, Mr Minton expects the rice futures price to drop off slightly on expectations of a better world crop next year. However, if there is any indication of a repeat of this year's poor weather, it could quickly turn around. "Rice is the most volatile of all grains," Mr Minton declares, "because there is a very fine line between what's considered a surplus and a shortage."

Kuala Lumpur launches tin futures

By Wong Sulong in Kuala Lumpur

TRADING IN tin futures will start on the Kuala Lumpur Commodities Exchange today although the KLCE management acknowledges that sentiment has been affected by the shake-out on the world's stock markets.

Traders expect only token trading in the coming days as overseas interest is likely to be marginal. Indonesian and Thai miners have said they are adopting a wait-and-see attitude towards Kuala Lumpur tin futures, and will use them only as a price reference for the time being.

KLCE officials are confident, however, that the contract will be a success in the longer term. They note that tin prices on the Kuala Lumpur physical market has been above the psychologically important level of 17 ringgit a kg for the past two weeks.

The KLCE tin futures contract is the first of its kind since tin trading was suspended on the London Metal Exchange in late 1985 following the *collapse of the tin market*. The one tonne contract is denominated in US dollars instead of Malaysian ringgit, so as to encourage foreign interest, and there will be two trading sessions, the second coinciding with the morning trading session on the unofficial tin market in Europe.

Exchange officials also admit that the crisis on the world's stock markets, and in particular the chaos in the Hong Kong stock index futures market, has cast doubts on the KLCE's plans to introduce a Kuala Lumpur Stock Exchange index futures next year.

LONDON METAL EXCHANGE WAREHOUSE STOCKS

(Changes during weekend ended last Friday)

		(tonnes)
Aluminium		
standard	+	925 to 59,550
high grade	+	17,675 to 43,275
Lead	−	1,475 to 17,500
Copper	−	11,550 to 80,775
Nickel	+	1,140 to 3,384
Tin	−	280 to 20,340
Zinc	−	875 to 34,775
		(ounces)
Silver	−	48,000 to 19,988,000

Metal markets slide further

COPPER AND aluminium prices are continuing to fall on the London Metal Exchange in sympathy with the turmoil in the world's stock markets.

The fifth successive weekly fall in stocks of copper held in LME warehouses did nothing to stem the price spiral for the metal. Stocks now stand at 80,775 tonnes—believed to be the lowest for 13 years—compared with 111,726 tonnes on September 22 and 175,150 tonnes at the beginning of the year.

The price for three-month copper closed yesterday at £1,085.50 a tonne, a fall of £43 from Friday's closing price. For most of this year the metal has been in backwardation—the reverse of the normal situation, with cash metal fetching a premium over the three-month price. Yesterday the cash price fell £41 to £1,176.50 a tonne, increasing the cash premium by £2 to £91 a tonne.

In contrast to copper, stocks of aluminium in LME warehouses increased last week, with holdings of high grade, or 99.7 pure metal, leaping by 69 per cent from 25,600 tonnes to 43,275 tonnes.

Aluminium prices, which are also in a backwardation, were down steeply yesterday. The three-month price for high-grade aluminium fell by $85 a tonne to $1,765, compared with the cash price of $1,860 a tonne, down $65. The premium for cash metal now stands at $95 a tonne.

The reason for the continuing fall in the price of both metals—the heaviest traded on the LME—is bound up firmly with the plunging equity markets, and not with the fundamentals of the metal markets, analysts agree. The price of both metals had been rising strongly this year until last Tuesday's sudden reversal.

Analysts disagree, however, over whether the stock market crash will herald a world recession, killing demand for base metals, or whether it is an overdose reaction to panic selling in the US.

Mr Robin Bhar, of Rudolf Wolff, believes that many holders of very profitable long positions in both copper and aluminium have been forced to get out of the LME in order to cover their losses in other markets.

Indonesian coffee sales to fall

INDONESIA'S coffee experts are expected to decline by 18 per cent in the 1987/88 coffee season which began this month, according to Mr Dharyono Kertosastro, chairman of the Association of Indonesian Coffee Exporters, **Reuter reports from Jakarta.**

New coffee export quotas set by the International Coffee Organisation earlier this month limit Indonesia to 4.75 per cent of the world export market. That means exports will decline to 244,235 tonnes from last season's 297,315 tonnes, he said.

Indonesian exporters are hoping to sell 90,000 tonnes of coffee in 1987/88 to countries outside the ICO to help make up the difference. Dharyono said, Indonesia's exports to non-ICO members had dropped by half — from 154,710 tonnes in 1985/86 to 72,000 tonnes last year — partly because of more stringent controls imposed by the ICO on members' sales to countries outside the group.

Indonesia, the world's third largest coffee exporter, is expected to produce 360,000 tonnes during the 1987-88 season, the same as last season, Dharyono said. Domestic consumption will account for 80,000 tonnes.

Under the new quotas, Indonesia is allowed to export 165,300 tonnes out of a global ceiling of 58m bags (60 kgs each), Dharyono said. But he anticipated that the country would actually export only 154,233 tonnes in 1987-88.

Indonesia's coffee stocks were expected to reach around 100,000 tonnes by the end of this coffee season next September, he said, adding that the country needed to build up its stocks in order for its export quota to rise to 5.21 per cent of the global limit in 1988-89.

UK farmers face higher feed costs

BY JOHN BUCKLEY

UK LIVESTOCK farmers face significant post-harvest rises in compound feed costs, for the third season in a row, according to Mr Tony Petch, Dalgety Agriculture's feed manager.

Earlier this year an expected bumper harvest and EC support price cuts suggested a feed-wheat price of £102 (delivered) but poor crops had driven this up to £111 per tonne. "All consumer buyers of grain were anticipating lower prices and had little new crop cover on their books," Mr Petch told a harvest luncheon in London.

Compounders also faced rising input costs in compensating for low energy value of the wheat crop caused by smaller bushel weights. Protein content was better than expected but even that bright spot was marred as quality grain was being snapped up by flour millers. He forecast wheat supplies could well run short in the west and the south-west UK by March of next year, requiring shipments in from East Anglia, even France.

Other feed inputs had also firmed—rapeseed meal was up £23 per tonne from pre-harvest levels, while feed peas were little cheaper than last year when heavy export demand *inflated prices*. Even imported feed ingredients were often dearer due to weather problems on the Continent.

Autumn sowing gets bogged down

FARMER'S VIEWPOINT

By John Cherrington

MY HAMPSHIRE farm missed the worst of the hurricane winds and apart from a few fallen trees and a shortage of electricity for a couple of days there were no urgent problems.

The electricity cut was caused by fallen branches which removed just one of the phases of a three phase supply. It stopped the water pump and as the Southern Electricity Board were unable to find the missing phase a generator had to be hired. One of my neighbours dependent on the same supply was unable to cool his milk properly and had two days' production rejected.

Much more serious has been the impact of the constant rain on my sowing programme. I got it off to a good start and had planted 40 acres of wheat by October 6. The land had been recently ploughed and it was in fact a little dry and hard. "A good rain would do it no harm," I said to my foreman, and he agreed. Since then our wish has been granted over-generously and we have had the best part of four inches so far. That amounts to about 400 tonnes an acre which is a lot of water to get rid of, although the soil drains fairly well.

By the time we had finished the first field the next 80 acres were ploughed and ready but had been turned into a quagmire. There was no way we could get on to the fields until they had dried out a bit. If we had tried the tyres and tynes of the equipment would have become blocked with mud and sowing would have been impossible.

In a way we are paying the price of progress. When I started farming it used to be said that barley should be sown in dust and winter wheat in mud. But in those days we had no very heavy tackle and very often the motive power was provided by horses.

When caught in this situation it was quite possible to have a man broadcasting the seed by hand and another following him with a pair of horses and a set of harrows to cover the seed. It did not make a very pretty job but it got the seed in and there was usually a crop.

I foolishly expect the climate to conform to my convenience — but it hardly ever does. In fact this childlike trust in the British weather has cost me very dear this year. You will remember that back in June and July all the farming pundits including, I am sorry to say, myself were prophesying a heavy harvest and glutted markets. So influenced was I by this propaganda that I sold a considerable quantity of wheat and barley forward at what have proved to be ridiculously low prices. This is about the only time in my life that I have followed the majority opinion; the best policy is undoubtedly to take the opposite view of ever consensus.

Mr John Macgregor, the British Agriculture Minister, has been suggesting that there should be a 20 per cent cut in the cereal acreage through an acreage set-aside policy. It now looks as though he will get his wish this year without all the expense and hassle of implementing such a policy. If the same thing happens in 1988 and there is another poor harvest the urge for set asides could be much reduced.

Of course no set-aside policy can possibly be implemented before the 1989 harvest, which means that decisions as to acreages planted will have to be made in the autumn of 1988. It seems obvious to me that any cutbacks will be based on the 1988 harvest — it would be stpuid to cut my wheat acreage for that harvest in case it becomes the standard on which the next year's set aside are based. So I shall keep slogging away to get my maximum acreage planted as, I am sure, will everyone else.

The extra moisture that we have had this autumn has had the result of increasing the supply of autumn grass and with it the demand for store sheep to eat it. I sold my own store lambs too cheaply, having had an attack of nerves, and I have found it very difficult to buy the flock replacements that I need at reasonable prices.

Prices for the crossbred ewe lambes which I used to buy in the North of England were far too high to my way of thinking and I never got as far as attending a sale up there.

So I decided to return to Wales where I filled my requirements very reasonably last year. There was a good show of ewe lambs at the sale and although the vendors I met before the auction started seemed to have an exaggerated idea of their value I thought the discipline of the market would soon bring them to heel.

The first lot hung fire a bit and I began to bid — so did a lot of other people round the ring. In the end I bought half my requirements and then stopped. They cost £8 per head more than their counterparts had the year before but others joined the bidding and at the end trade was still rising. Many of the buyers were dairy farmers facing further quota cuts and arable farmers from the Midlands and East Anglia who, they told me, had cereal quotas in mind.

They did not seem to realise that if there was a set-aside scheme of any sort the idled land would probably be denied such alternative use as sheep which are also under the threat of EC restrictions. When I mentioned this to some of the more aggressive bidders they just laughed. They had been hearing such warnings for years and they had come to nothing. Why should the next few years be any different? I almost agreed with them—but then I remembered that the consensus is usually wrong.

LONDON MARKETS

AS PLUNGING equities and metals continued to hog the limelight in London yesterday soft commodities again had a relatively quiet time. The biggest movement was in coffee where January delivery futures ended the day £9 down at £1,338.50 a tonne. The price had slipped to £1,330 at one stage, mainly reflecting the dollar's weakness, but was steadied near the close as roasters made price-fixing purchases against physical contracts. Dealers said interest in the market was *weakened by Brazil's failure* to open November export registrations as expected. Currency factors were also the main influence in the cocoa market, where March delivery futures ended £3 down at £1,187.50 a tonne. The fall might have been greater, dealers said, but for New York's basically steady tone. Consuming industries were only buying essential supplies of cocoa beans, they said, as efforts were made to protect financial investments in the face of market problems elsewhere. Having been fairly steady early on sugar futures slipped back late in the afternoon. Dealers said the downturn was in sympathy with the New York market.

LME prices supplied by Amalgamated Metal Trading.

INDICES

REUTERS

Oct. 23	Oct. 22	M'th ago	Year ago
1679.7	1679.5	—	—

(Base December 31 1931=100)

DOW JONES

Dow Jones	Oct. 23	Oct. 22	M'th ago	Year ago
Spot	126.63	126.60	—	121.48
Fut	129.55	126.70	—	120.58

(Base December 31 1931=100)

MAIN PRICE CHANGES

‡ Unquoted. † Per 75 lb flask. c Cents a pound. * Cotton outlook. w Oct-Nov. y Nov. z Dec. t Nov-Dec. v Jan-Feb.

	Oct. 26 1987	+ or −	Month ago
METALS			
Aluminium			
Free Market	$1826/850	−80	$1775/795
Copper			
Cash Grade A	£1176.5	−41	£1126.5
3 months	£1085.5	−43	£1104.75
Gold Troy oz	$476.125	+3.625	£464.25
Lead Cash	£351	−2	£378.5
3 months	£345	−3.5	£365.5
Nickel			
Free Mkt	265/285c	+4	240/266c
Palladium oz	$128.50	−3.50	$137.75
Platinum oz	$571.25	−5.75	$589.90
Quicksilver†	$290/300	−5	$310/325
Silver troy oz	446.20p	−7.80	465.25p
3 months	456.60p	−8.90	476.70p
Tin			
free Mkt	£4170/200		£4135/165
Tungsten	$51.16		$53.78
Wolfram 22.0lb	$38/50		$38/50
Zinc	£458.5	−6	£455.5
3 months	£463.5	−5.75	£460.5
producers	$820	−5	$860
OILS			
Coconut (Phil)	$490t		$495
Palm Malayan	$350y		$360
Seeds			
Copra (Phil)	$320		$330
Soyabean (U.S.)	$155.5		‡
GRAINS			
Barley Fut. Jan.	£106.45	+0.10	£103.20
Maize	£134.00		£144
Wheat Fut. Jan.	£110.05	−0.55	£106.80
No. 2 Hard Wint.	‡		‡
OTHERS			
Cocoa Ft. Mar.	£1187.5	−3.0	£1233
Coffee Ft. Jan	£1338.5	−9.0	£1250.5
Cotton A Ind.*	72.55c	−0.70	83.20c
Gas Oil Dec.	$168.00	−2.50	$157.75
Rubber (kilo)	65.50p	−0.50	68.5p
Sugar (raw)	$188w	+4	$163.2
Wooltops 64s	515p kilo	+15	480p kilo

‡ Unquoted. † Per 75-lb flask. c Cents a pound. * Cotton outlook. w Oct-Nov. y Nov. z Dec. t Nov.Dec. v Jan-Feb.

ALUMINIUM

99.7% purity	Unofficial close (p.m.) $ per tonne	+ or −	High/Low
Cash	1865-70	−65	—
3 months	1755-75	−85	1760/1755

Official closing (am): Cash 1,830-50 (1,860-80), three months 1,755-60 (1,790-800), settlement 1,850 (1,880). Final Kerb close: Unquoted. Ring turnover: 1,850 tonnes.

99.5% purity	£ per tonne		
Cash	1095-100	−37	1080
3 months	1026-9	−55	1050/1021

Official closing (am): Cash 1,075-80 (1,126-8), three months 1,020-5 (1,065-8), settlement 1,080 (1,128). Final Kerb close: 1,020-1. Ring turnover: 16,525 tonnes.

COPPER

Grade A	Unofficial close £ per tonne	+ or −	High/Low
Cash	1175-8	−41	—
3 months	1085-6	−43	1103/1077

Official closing (am): Cash 1,202-7 (1,219-20), three months 1,097-8 (1,125-7), settlement 1,207 (1,220). Final Kerb Close: 1,077.5-8.

Standard			
Cash	1145-55	−55.5	—
3 months	1070-80	−45	—

Official closing (am): Cash 1,160-5 (1,180-70), three months 1,090-5 (1,110-20), settlement 1,165 (1,170). US Producer prices 84.25-92 cents per lb. Total ring turnover 30,725 tonnes.

LEAD

	Unofficial close (p.m.) £ per tonne	+ or −	High/Low
Cash	350-2	−2	354/353
3 Months	344.5-5.5	−3.5	346/341

Official closing (am): Cash 353-4 (352.5-3) three months 345-6 (347-8) settlement 354 (353). Final Kerb close 344-5. Ring turnover 8,175 tonnes. US Spot: 42 cents per lb.

NICKEL

	Unofficial close (p.m.) £ per tonne	+ or −	High/Low
Cash	3460-60	−135	3410
3 months	3390-400	−140	3390/3380

Official closing (am): Cash 3405-15 (3575-80) three months 3365-8 (3515-20) settlement 3415 (3580). Final Kerb close: 3380-405. Ring turnover 1,512 tonnes.

ZINC

High grade	Unofficial close (p.m.) £ per tonne	+ or −	High/Low
Cash	458-9	−6	—
3 months	463-4	−5.75	462/458

Official closing (am): Cash 453-4 (464-4.5) three months 458-9 (468.5-9.5) settlement 454 (464.5). Final Kerb close: 459.60. Ring turnover: 8,125 tonnes. US Prime Western: 43-43.75 cents per lb.

LONDON METAL EXCHANGE TRADED OPTIONS

	Strike Price $/tonne	Calls Nov.		Puts Nov.	
Aluminium 99.7%	—	—		—	
		Nov.	Jan.	Nov.	Jan.
Aluminium 99.5%	1,700	155	110½	—	63½
	1,725	130	97	0.5	74½
	1,750	106	85	1	87
Copper (Grade A)	1,800	146	122	3½	91½
	1,850	103	98½	10	117½
	1,900	66½	78½	23½	146½
Copper (Grade A)	£/tonne				
	1,050	104	71	0.5	31½
	1,075	80	57	1	42
	1,100	57½	46	4	55

TIN

KUALA LUMPUR TIN MARKET: Close 17.12 (17.16) ringgit per kg. Down 0.04 ringgit per kg.

GOLD

GOLD BULLION (fine ounce)	Oct. 26	
Close	$475¼-476¼	(£282-282¼)
Opening	$475¼-475¾	(£281¾-282¾)
M'n'g fix	$474.85	(£281.109)
Aft'n'n fix	$475.00	(£281.248)
Day's high	$480-481	—
Day's low	$474-474¾	—

GOLD AND PLATINUM COINS

Am Eagle	$490-495	(£290-293)
Mapleleaf	$489-494	(£289½-292½)
Kr'g'r'nd	$474½-477½	(£281-282¾)
½ Krug	$244-253½	(£144½-150)
¼ Krug	$124-132	(£73½-78)
Angel	$485-490	(£287¼-290¼)
1/10 Angel	$50-55	(£29¼-32½)
New Sov.	$112-113	(£66½-67)
Old Sov.	$112-113½	(£66½-67¼)
Britannia	$485-490	(£294-297)
Noble Platt	$588-594	(£348¼-351½)

MEAT

MEAT COMMISSION—Average fatstock prices at representative markets: GB—Cattle 94.60p per kg lw (+0.25); G—Sheep 171.10p per kg est dcw (+6.11); GB—Pigs 74.89p per kg lw (−0.96).

SILVER

Silver was fixed 7.8p an ounce lower for spot delivery on the London bullion market yesterday, at 446.20p. US cent equivalents of the fixing levels were: spot 757.40c, up 4.80c; three-month 772.20c, up 4.80c; six-month 786.90c, up 4.55c; and 12-month 819c, up 5.20c. The metal opened at 448½-450p (765½-757½c) and closed at 441-442½p (744-746c).

SILVER per troy oz	Bullion Fixing price	+ or −	L.M.E. p.m. Unoff'cl	+ or −
Spot	446.20p	−7.80	744c	−7
3 months	456.60p	−8.70	758c	−8
6 months	466.35p	−9.10	—	—
12 months	488.10p	−9.65	—	—

10,000 oz.

Final kerb close 757-60c.

COFFEE

Currency factors played a dominant role in robusta trading today in a market lacking fresh fundamental or technical news reports Drexel Burnham Lambert. A steadily depreciating dollar *put prices under pressure for the best* part of the day. Price-fixing was easily absorbed in a market having difficulty generating any volume.

COFFEE	Yesterday close	+ or −	Business done
Nov	1309-1310	−7.0	1316-1300
Jan	1338-1339	−9.0	1348-1330
Mar	1358-1359	−8.0	1363-1351
May	1382-1385	−7.0	1386-1375
July	1400-1405	−8.0	1402-1400
Sept	1415-1430	−7.0	1421-1415
Nov	1420-1440	−15.0	—

Sales: 1,851 (2,130) lots of 5 tonnes.

ICO indicator prices (US cents per pound) for October 23 Comp. daily 1979 111.82 (110.68); 15-day average 111.82 (110.68).

COCOA

An unexciting day drew to a close with prices virtually unchanged having ben locked in a £10 range. Light consumer offtake was seen but producers remained steadfastly withdrawn, reports Gill and Duffus.

COCOA	Yesterday's close £ per tonne	+ or −	Business done
Dec	1155-1156	—	1159-1149
March	1187-1188	−3.0	1194-1186
May	1209-1210	−3.5	1216-1205
July	1230-1232	−5.5	1235-1227
Sept	1250-1252	−4.0	1255-1244
Dec	1275-1277	−5.0	1280-1272
March	1297-1298	−6.0	1300-1296

ICCO indicator prices (SDRs per tonne). Daily price for October 23 1,480.08 (1,467.97); 10-day average for 1,469.53 (1,470.58).

FREIGHT FUTURES

Although the physical picture remains fundamentally sound the futures behaved out of line to actually post small losses on the day in a rather strained and thin trading environment, reports Clarkson Wolff.

	Close	High/Low	Prev.
Dry Cargo			
Oct.	1149	1155/1149	1146.5
Jan.	1267	1272/1257	1254
Apr.	1308	1298/1285	1293
July	1187.5	1198/1187.5	1190
Oct.	1220	—	1220
Jan.	1240	—	1240
April	1300	—	1300
BFI.	1148	—	1136

Turnover: 1,552 (1,504).

GRAINS

Wheat market again found sellers from consumer and shipper sources, reaching 50p down in early trading and failing to recover with further November long liquidation keeping values under pressure. Barley market however firmed after early losses on good export demand closing steady having absorbed modest country selling, reports T. G. Roddick.

	WHEAT		BARLEY	
Mnth	Yest'dy's close	+ or −	Yest'dy's close	+ or −
Nov.	107.65	−0.45	103.75	—
Jan.	110.05	−0.55	106.45	+0.10
Mar.	112.05	−0.55	108.35	—
May	114.30	−0.50	109.75	—
July	116.40	−0.55	—	—
Sept.	108.50	−0.46	99.10	—
Nov.	104.35	—	101.60	—

Business done—Wheat: Nov 108.15-7.65, Jan 110.50-0.05, March 112.10-2.05, May 114.35 only, July 116.50 only, Sept untraded, Nov untraded. Sales: 208 lots of 100 tonnes. Barley: Nov 103.75-3.25, Jan 106.45-5.85, March 108.25 only, May 109.45 only, Sept untraded, Nov untraded. Sales: 158 lots of 100 tonnes.

LONDON GRAINS—Wheat: US dark Northern spring No. 14 per cent Nov 94.00, Dec 94.75. US No. 2 soft red winter Nov 91.75, Dec 93.75. French 11½-12 per cent Oct 136.50 sellers. English feed fob Nov 109.50, Dec 110.50, Jan/March 114.00/114.55 sellers. April/June 116.75/117.50 buyer/sellers. Maize: US No. 3 yellow/French transhipment East Coast Oct 134.00 seller. Barley: English feed Nov 109.00, Dec 110.00, Jan/March 113.00, April/June 117.00 sellers. Rest unquoted.

HGCA—Locational ex-farm spot prices: Feed barley: Eastern 104.50; E. Mids 106.90; Scotland 99.80. The UK monetary coefficient for the week beginning Monday November 2 (based on HGCA calculations using 4 days exchange rates) is expected to remain unchanged.

POTATOES

Market briefly traded £2.50 down basis April 88 position, but quickly recovered to unchanged as confirmation of low lifting figures for last week restored full confidence. Although some resistance evident around £150,000 mark, this eventually eroded with market climbing steadily throughout the afternoon to close at highs, reports Coley and Harper.

Sales 1,147 (1,277) lots of 40 tonnes.

Month	Yesterday's close £ per tonne	Previous close	Business done
Nov.	89.00	90.00	91.00-89.00
Feb.	100.00	100.50	—
March	92.30	92.00	—
Apr.	154.80	148.50	154.90-146.00
May	167.00	160.50	167.00-164.00
Nov	75.00	80.00	—

Sales: 1,277 (937) lots of 40 tonnes.

OIL

	Latest	Change + or −
CRUDE OIL—FOB ($ per barrel) Dec.		
Arab Light	—	—
Arab Heavy	—	—
Dubai	17.25-17.28	−0.085
Brent Blend	18.80-18.90*	−0.15
W.T.I. (1pm est)	19.90-19.95	−0.20
Forcados (Nigeria)	—	—
Urals (cif NWE)	—	—
PRODUCTS—North West Europe		
Prompt delivery cif ($ per tonne)		
Premium gasoline	185-188	—
Gas Oil	166-168	−1
Heavy fuel Oil	100-102	−2
Naphtha	162-164	−1

* November Petroleum Argus estimates.

SUGAR

LONDON DAILY PRICE — Raw sugar $188.00 (£111.60), up $4.00 (up £0.20) a tonne for November/December delivery. White Sugar $191.50 up $1.00.

	Yesterd's close	Previous close	Business done
	$ per tonne		
No. 6 Raw			
Dec	162.0-164.8	163.2-164.0	164.5-164.4
Mar	170.6-170.8	171.6-172.0	172.2-170.0
May	171.6-172.0	174.0-174.4	175.4-172.0
Aug	175.0-175.8	176.0-176.4	174.4-175.6
Oct	173.8-174.8	176.0-176.8	176.0-174.0
Dec	176.0-176.8	178.8-178.0	—
Mar	184.0	183.0-181.0	—
No. 5 White			
Dec	192.0-185.4	192.5-194.8	194.8-185.0
Mar	195.6-199.4	198.8-201.8	201.5-199.4
May	195.6-205.2	202.0-206.0	205.0-203.0
Aug	207.0	208.8	209.5-206.0
Oct	208.0-209.0	218.0-212.0	209.5-208.5
Dec	208.8-210.0	210.8-214.8	213.0-211.8
Mar	214.0-216.0	214.0-220.0	214.5-214.5

Sales No. 6 2694 (2165) lots of 50 tonnes; No. 5 2296 (1994).

Tate and Lyle delivery price for granulated basis sugar was £217.50 (£217.00) a tonne for export.

International Sugar Agreement — (US cents per pound fob and stowed Caribbean ports). Prices for October 23 daily price 7.05 (6.85); 15-day average 6.59 (6.52).

PARIS—White (FFr per tonne): Dec 1145/1149; March 1195/1199; May 1220/1225; Aug 1250/1268; Oct 1261/1271; Dec 1270/1280.

US MARKETS

MOST MARKETS suffered under the weight of speculative liquidation mirroring continued weakness in the New York stock market, reports Drexel Burnham Lambert. Gold was barely steady on commission house buying, but saw occasional pressure from mixed profit-taking. Silver and platinum were both weak on speculative liquidation. Copper came under early pressure as the market underwent continued reaction to recent strength. Crude oil featured trade selling and speculative selling in light volume. Coffee eeased on commission house selling, cocoa fell under the influence of Brazilian selling despite an early short-covering rally. Sugar feature switch activity with the trade buying the nears and selling forward contracts, though the market finished weak on outside factors. Cotton fell sharply on trade and commission house selling. The meats, too, were sharply lowe

NEW YORK

ALUMINIUM, 40,000 lbs; cents/lbs

	Close	Prev	High	Low
Oct	80.50	82.50	—	—
Nov	80.50	82.50	—	—
Dec	79.00	82.50	79.00	79.00
Jan	78.50	81.00	—	—
Feb	—	—	—	—
March	77.50	78.00	—	—
April	—	—	—	—
May	72.50	73.50	—	—
July	69.00	70.00	—	—
Sept	69.00	70.00	—	—

COCOA, 10 tonnes; $/tonnes

	Close	Prev	High	Low
Dec	18.20	18.24	18.41	18.17
March	18.55	18.57	18.72	18.54
May	18.82	18.85	19.00	18.83
July	19.14	19.14	—	—
Sept	19.40	19.40	19.50	19.47
Dec	19.70	19.68	19.70	19.70
March	20.00	19.99	—	—

COFFEE "C" 37,500 lbs; cents/lbs

	Close	Prev	High	Low
Dec	122.30	122.91	122.90	122.10
March	126.50	127.00	127.00	126.25
May	128.45	128.78	128.75	128.25
July	129.75	130.08	130.00	129.85
Sept	131.08	131.63	131.00	131.00
Dec	131.25	131.75	132.00	131.75
March	130.98	131.01	—	—

COPPER 25,000 lbs; cents/lbs

	Close	Prev	High	Low
Oct	79.35	82.80	—	—
Nov	79.75	82.40	—	—
Dec	78.95	81.70	80.80	78.15
Jan	78.20	80.80	—	—
Mar	76.85	79.20	78.00	76.50
May	75.75	77.60	76.40	76.00
Jul	74.35	76.00	—	—
Sep	74.65	75.85	75.50	75.50
Dec	74.35	75.50	75.10	74.00
Jan	74.35	75.40	—	—
Mar	74.35	75.20	74.50	74.00
May	74.35	75.10	—	—

CRUDE OIL (LIGHT) 42,000 US gallons; $/barrels

	Latest	Prev	High	Low
Dec	19.87	20.16	20.02	19.86
Jan	19.78	20.06	19.92	19.75
Feb	19.66	19.98	19.81	19.66
March	19.60	19.91	19.72	19.60
April	19.55	19.85	19.59	19.53
May	19.50	19.79	19.55	19.55
June	19.45	19.74	—	—
July	19.42	19.69	19.42	19.42
Aug	19.45	19.64	19.45	19.45
Sept	19.30	19.59	19.39	19.30

GOLD 100 troy oz; $/troy oz

	Close	Prev	High	Low
Oct	476.2	473.4	479.5	475.0
Nov	476.1	473.4	476.0	476.0
Dec	479.4	476.7	482.0	476.2
Feb	485.4	482.8	489.0	482.0
April	491.5	489.0	495.5	489.0
June	497.7	495.4	499.0	495.3
Aug	504.1	502.0	502.0	502.0
Sept	—	480.0	—	—
Oct	510.7	508.8	512.5	508.5
Dec	517.4	515.6	516.5	515.3
Feb	524.4	522.8	526.0	523.8
May	—	—	—	—
June	539.2	537.4	—	—
Aug	546.6	544.8	—	—

HEATING OIL 42,000 US gallons; cents/US gallons

	Latest	Prev	High	Low
Nov	56.55	57.47	57.15	56.80
Dec	56.60	57.71	57.30	56.60
Jan	56.80	57.72	57.30	56.60
Feb	56.20	57.22	56.80	56.20
March	54.00	54.95	54.80	54.05
April	52.35	52.92	52.40	52.35
May	51.10	51.42	51.20	51.10
June	50.60	50.77	51.00	50.60

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Prev	High	Low
Nov	143.40	144.00	144.80	142.30
Jan	141.70	141.25	142.40	140.80
March	141.40	141.40	142.50	140.50
May	142.00	141.50	142.00	141.30
July	142.25	142.50	142.00	142.00
Sept	—	137.15	—	—
Nov	140.75	140.00	—	—
Jan	138.25	137.50	—	—
March	138.25	137.50	—	—

PLATINUM 50 troy oz; $/troy oz

	Close	Prev	High	Low
Oct	566.8	577.9	565.0	560.0
Dec	570.5	582.4	560.0	560.0
Jan	572.3	584.4	588.0	565.0
April	581.6	594.2	596.5	578.0
July	591.7	603.9	593.5	585.5
Oct	601.6	614.4	608.0	600.8
Jan	612.6	625.4	—	—

SILVER 5,000 troy oz; cents/troy oz

	Close	Prev	High	Low
Oct	742.5	754.3	745.0	745.0
Nov	743.3	755.2	—	—
Dec	749.0	760.0	763.0	737.0
Jan	752.4	764.9	758.0	755.0
March	763.3	776.2	767.0	752.2
May	773.6	786.7	788.0	768.0
July	784.0	797.0	792.0	770.0
Sept	794.6	807.9	791.0	763.0
Dec	811.9	825.4	821.0	800.0
Jan	817.9	831.3	—	—
March	830.7	875.0	—	—
May	842.8	883.4	—	—
July	855.4	901.5	850.0	850.0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Prev	High	Low
Jan	7.04	7.15	7.10	7.10
Mar	7.63	7.70	7.68	7.56
May	7.71	7.76	7.72	7.66
Jul	7.79	7.81	7.80	7.73
Oct	7.82	7.85	7.88	7.74
Jan	8.01	8.00	—	—
Mar	8.08	8.11	8.13	8.13

CHICAGO

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Prev	High	Low
Dec	63.70	65.20	64.20	63.70
Feb	61.00	62.50	61.35	61.00
April	61.97	62.47	62.75	61.37
June	61.85	63.35	62.50	61.60
Aug	60.67	62.17	61.35	60.67
Oct	59.35	60.85	60.50	59.35
Dec	61.00	62.50	61.00	61.00

LIVE HOGS 30,000 lbs; cents/lbs

	Close	Prev	High	Low
Dec	43.37	44.87	44.35	43.37
Feb	41.37	42.87	42.30	41.37
April	38.37	39.75	39.30	38.30
June	41.45	42.45	42.25	41.25
July	41.80	42.80	42.50	41.80
Aug	40.30	41.77	41.40	40.77
Oct	38.12	38.80	38.80	38.10
Dec	39.32	40.10	40.00	38.80

MAIZE 5,000 bu min; cents/56lb-bushel

	Close	Prev	High	Low
Dec	180.4	181.2	181.0	176.2
Mar	185.4	187.2	186.2	184.0
May	190.6	192.4	192.0	189.8
Jul	195.0	196.6	196.0	193.0
Sep	191.0	193.0	192.4	190.4
Dec	188.0	190.2	189.4	186.4
Mar	194.2	196.4	196.4	193.6

PORK BELLIES 38,000 lbs; cents/lbs

	Close	Prev	High	Low
Feb	56.25	58.25	57.10	56.25
Mar	55.75	57.75	56.55	55.75
May	56.20	58.20	57.60	56.20
Jul	56.75	57.02	57.60	56.80

SOYABEANS 5,000 bu min; cents/60lb-bushel

	Close	Prev	High	Low
Nov	537.4	539.2	539.0	527.4
Jan	548.4	548.4	547.0	536.4
March	551.4	555.0	552.4	542.0
May	556.4	558.6	557.0	547.4
July	553.2	562.4	560.0	551.0
Aug	555.0	559.0	557.0	549.4
Sept	546.0	549.0	547.0	540.0
Nov	544.0	544.0	544.4	547.4

SOYABEAN MEAL 100 tons; $/ton

	Close	Prev	High	Low
Dec	180.4	182.2	181.8	177.0
Jan	175.4	174.5	176.5	171.5
March	171.8	170.7	171.8	169.0
May	168.8	167.7	169.0	166.0
July	165.0	168.2	166.0	164.0
Aug	165.5	165.0	165.6	163.5
Sep	162.2	162.5	164.0	161.5
Oct	162.0	162.2	162.0	162.0
Dec	164.0	163.0	161.0	161.0

SOYABEAN OIL 60,000 lbs; cents/lbs

	Close	Prev	High	Low
Dec	17.51	17.77	17.70	17.34
Jan	17.66	17.84	17.75	17.52
March	17.96	18.22	18.05	17.80
May	18.08	18.35	18.15	17.97
July	18.25	18.55	18.30	18.10
Aug	18.30	18.65	18.40	18.20
Sept	18.27	18.65	18.45	18.20
Oct	18.27	18.65	18.55	18.25
Dec	18.30	18.66	18.50	18.30

WHEAT 5,000 bu min; cents/60 lb-bushel

	Close	Prev	High	Low
Dec	297.6	300.2	296.4	295.0
March	308.2	311.8	309.4	306.4
May	303.0	307.4	306.0	302.0
July	280.4	283.4	283.0	280.0
Sept	283.4	286.4	286.0	283.0
Dec	302.4	306.4	—	—

SPOT PRICES: Chicago loose lard 14.50 (same) cents per pound. Handy and Harman silver bullion 743.00 New York tin 318.00/320.00 (318.00/320.00) (750.00) cents per troy ounce. New cents per pound.

SOYABEAN MEAL

Prices moved lower in nervous conditions with traders keeping one eye on cash markets and one on the financial markets. Commercial selling at the higher levels was the only noted feature reports Muirpace.

	Yesterd'ys close £ per tonne	+ or −	Business done
Dec	131.0-132.0	+0.25	132.5-131.5
Feb	132.8-133.5	−0.35	133.5-133.0
April	132.5-133.5	−1.00	134.0
June	125.0-126.0	−0.25	128.5
August	125.5-125.0	−0.50	—
October	124.0-126.0	−1.50	—
December	125.0-127.0	−1.50	—

Sales: 92 (61) lots of 20 tonnes.

GAS OIL FUTURES

Month	Yesterd'ys close US$ per tonne	+ or −	Business done
Nov	167.00	+0.75	168.25-166.75
Dec	168.00	−2.00	169.50-167.50
Jan	169.50	−1.25	170.25-168.50
Feb	169.50	−2.00	169.50-168.50

Turnover: 3762 (2880) lots of 100 tonnes.

TEA

There were 29,514 packages on offer in this week's sale including 2,600 packages in the offshore section, reports the Tea Brokers' Association. Quality and medium Assams again met good competition at fully firm rates but plainer sorts were difficult of sale. Selected bright East Africans moved several pence dearer but mediums came in for less demand and shed 3 to 5p, sometimes more. Central Africans were very irregular and frequently 2-3p easier. Ceylons were well supported at generally dearer rates. Offshore teas met limited enquiry and were easier where sold. Quotations: Quality 175p (175p). Medium 100p (105p), low medium 86p (83p).

RUBBER

(buyers): Spot 63.50p (64.00p): Dec 66.50p (67.00p): Jan 67.00 (—). The Kuala Lumpur fob prices (Malay/Singapore cents per kg) were: RSS No. 1 265.5 (266); SMR 20 254.5 (255.5).

CURRENCIES, MONEY & CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar falls in nervous trade

THE DOLLAR threatened to fall to a seven-year low against the D-Mark yesterday, prompting intervention by the West German Bundesbank. This was followed by support for the dollar from the Bank of England, to slow the decline, as equity prices continued to slide on a world wide scale, and expectations increased of lower interest rates, to head off a US led recession.

The dollar fell sharply in the late European morning, and the Bundesbank then bought dollars at the Frankfurt fixing to stem the decline. This was immediately followed by intervention by the Bank of England, leading to nervousness about the intentions of the central banks.

Dealers suggested the authorities wished to stabilize the foreign exchages, to restore some confidence to battered equity markets, where the London market and Wall Street weakened again, following losses in the Far East, particularly Hong Kong.

After touching a low of DM 1.7655 the dollar closed at DM 1.7755 in London, compared with DM 1.7865 on Friday. It also declined to FFr5.9475 from FFr5.9750; to SFr1.4625 from SFr1.4775; and to Y1420.20 from Y142.60.

On Bank of England figures the dollar's index fell to 99.6 from 100.7.

STERLING—Trading range against the dollar in 1987 is 1.6885 to 1.4710. September average 1.6456. Exchange rate index rose 0.6 to 74.1, compared with 72.7 six months ago.

The Bank of England chose intervention on the foreign exchanges, rather than another cut in UK interest rates, to slow sterling's rise against the dollar.

The pound was in demand, rising slightly against the strong D-Mark, in spite of Friday's cut in UK bank base rates. As the dollar weakened, nervousness increased about investments in US bonds, and this, plus the fall in world wide equity prices, increased the attraction of sterling.

Sterling gained 1.20 cents to $1.6885-1.6895. It also rose to DM2.9975 from DM2.9950; to FFr10.0450 from FFr10.02; and to Y240.25 from Y239.25, but eased to SFr2.47 from SFr2.4775.

D-MARK—Trading range against the dollar in 1987 is 1.8885 to 1.7690. September average 1.8122. Exchange rate index 147.8 against 146.8 six months ago.

The D-Mark was firm against the dollar in Frankfurt, but fear of central bank intervention limited the US currency's losses. At the Frankfurt fixing the Bundesbank bought $22.7m when the dollar fell to DM1.7692 from DM1.8060 on Friday. It was the lowest fixing level since May 5.

The dollar closed at DM1.7690 in Frankfurt, the lowest finishing level since May 5, compared with DM1.7925 on Friday.

JAPANESE YEN—Trading range against the dollar in 1987 is 159.45 to 138.35. September average 143.19. Exchange rate index 222.1 against 226.8 six months ago.

The yen advanced against the dollar in Tokyo, with the US currency falling to Y141.85, from Y144.15 on Friday, but was little changed from the New York finish of Y141.775.

Sharp falls in Tokyo, Singapore, and Hong Kong share prices created very nervous trading, with dealers commenting that the *future for the dollar appeared to* depend on the reaction of Wall Street to the continuing falls in stock market values.

Fears grew that Japanese investors will liquidate dollar holdings, converting funds back into yen, and pushing the US currency below Y140.

£ IN NEW YORK

Oct. 26	Latest	Previous Close
£ Spot	1.6560-1.6570	1.6850-1.6860
1 month	0.35-0.33pm	0.38-0.36pm
3 months	0.81-0.77pm	0.84-0.79pm
12 months	2.70-2.60pm	2.65-2.45pm

Forward premiums and discounts apply to the U.S. dollar.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Oct. 26	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.2820	+1.94	+1.14	±1.5348
Danish Krone	7.85212	7.96990	+1.50	+0.70	±1.6404
German D-Mark	2.05853	2.07435	+0.77	−0.03	±1.0981
French Franc	6.90403	6.94465	+0.59	−0.21	±1.3674
Dutch Guilder	2.31943	2.33432	+0.64	−0.16	±1.5012
Irish Punt	0.768411	0.776448	+1.05	+0.25	±1.6684
Italian Lira	1,483.58	1499.40	+1.07	+0.72	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

POUND SPOT—FORWARD AGAINST THE POUND

Oct. 26	Day's spread	Close	One month	p.a.	Three months	% p.a.
US	1.6795-1.6970	1.6885-1.6895	0.37-0.34c pm	2.52	0.70-0.65pm	1.60
Canada	2.2098-2.2281	2.2195-2.2205	0.41-0.29c pm	1.89	0.69-0.53pm	1.10
Netherlands	3.36½-3.37¾	3.36¾-3.37¾	1⅛-1⅛c pm	4.45	3⅞-3⅛pm	3.85
Belgium	62.36-62.65	62.50-62.60	18-14c pm	3.07	40-31pm	2.27
Denmark	11.48-11.53¾	11.50½-11.51½	⅛-1ore dis	−0.65	2⅞-3⅛dis	1.09
Ireland	1.1170-1.1260	1.1220-1.1230	0.14-0.06c pm	1.07	0.24-0.06pm	0.53
W. Germany	2.98¾-3.00¾	2.99¾-3.00¾	1⅞-1⅛pf pm	6.01	3¾-3⅞pm	4.75
Portugal	236.63-238.66	236.76-237.74	48-103c dis	−3.82	188-279dis	3.94
Spain	193.12-194.92	194.54-194.82	49-112c dis	−4.96	132-212dis	−3.53
Italy	2158-2174¾	2166½-2167½	1−4lire dis	−1.38	12-17dis	−2.68
Norway	11.00½-11.09	11.08-11.09	3⅞-4⅞ore dis	−4.33	12-12¾dis	4.47
France	10.01-10.05½	10.04-10.05	1⅛-1⅛c pm	1.72	2-1pm	0.60
Sweden	10.56½-10.62¾	10.61½-10.62½	⅛-⅛ore pm	0.42	1⅛-⅛pm	0.26
Japan	238½-240¾	239¾-240¾	1⅛-1y pm	5.62	2⅞-2⅞pm	4.58
Austria	21.02-21.21	21.02-21.05	9⅞-8⅞gro pm	5.20	26½-22¾pm	4.66
Switzerland	2.46½-2.47½	2.46½-2.47½	1½-1⅛c pm	6.68	3⅞-2⅞pm	4.96

Belgian rate is for convertible francs. Financial franc 62.70-62.80. Six-month forward dollar 1.32-1.27c pm. 12-month 2.15-2.00pm.

STERLING INDEX

[illegible]

DOLLAR SPOT—FORWARD AGAINST THE DOLLAR

Oct. 26	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.6795-1.6970	1.6885-1.6895	0.37-0.34c pm	2.52	0.70-0.65pm	1.60
Ireland†	1.5065-1.5090	1.5070-1.5080	0.10-0.05c pm	0.60	0.25-0.29pm	0.60
Canada	1.3128-1.3160	1.3150-1.3160	0.06-0.12c dis	−0.73	0.15-0.20dis	−0.53
Netherlands	1.9870-2.0025	1.9970-1.9980	0.36-0.31c pm	2.02	1.09-1.05pm	2.13
Belgium	36.85-37.10	37.00-37.10	2.00-1.00c pm	0.49	9.00-5.00pm	0.76
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 37.30-37.20

CURRENCY RATES

[illegible]

CURRENCY MOVEMENTS

[illegible]

OTHER CURRENCIES

Oct. 26	£	$
[illegible]	[illegible]	[illegible]
Korea (Sth)	1348.70-1360.90	800.50-807.10
Kuwait	0.47100-0.47150	0.27910-0.27920
Luxembourg	62.50-62.60	37.00-37.10
Malaysia	4.2435-4.2525	2.5150-2.5170
Mexico	2751.40-2754.25	1627.00-1630.00
N. Zealand	2.6065-2.6115	1.5425-1.5450
Saudi Ar.	6.3300-6.3355	3.7500-3.7510
Singapore	3.5040-3.5100	2.0765-2.0775
S. Af. (Cm)	3.4115-3.4275	2.0175-2.0215
S. Af. (Fn)	5.7295-5.9310	3.3895-3.5085
Taiwan	50.40-50.65	29.95-30.05
U.A.E.	6.1990-6.2045	3.6725-3.6735

*Selling rate.

EURO-CURRENCY INTEREST RATES

[illegible]

EXCHANGE CROSS RATES

Oct. 26	£	$	DM	YEN	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
DM	0.334	0.565	1.	80.15	3.351	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
YEN	4.162	7.050	12.40	1000.	41.81	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
F Fr.	0.996	1.601	2.984	239.2	10.00	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
S Fr.	0.405	0.501	1.214	97.27	4.067	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
H Fl.	0.297	0.779	0.809	71.26	2.979	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Lira	0.461	0.761	1.385	110.9	4.635	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
C $	0.450	0.761	1.358	108.2	4.525	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B Fr.	1.999	2.700	4.792	384.1	16.06	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Yen per 1,000: French Fr per 10: Lira per 1,000: Belgian Fr per 100.

FINANCIAL FUTURES

Gilts and bonds remain firm

BUYING OF Government bonds continued as the gloom in equiy markets deepened yesterday. Fears about sharp losses in Hong Kong share prices, after the market's recent closure, were fulfilled. Margin requirements were raised on Hang Seng index futures in the Hong Kong futures exchange as the stock index plunged 33 per cent. This set the tone, with Tokyo also recording losses, but on a much smaller scale.

The fall in Far East share prices followed a sell-off of about 6.7 per cent in Australian equities, and London opened on a predictabl weak note. The FTSE 100 index began trading 109.7 lower at 1,885.5, indicating a fall of about 6 per cent in share value.

On the London International Financial Futures Exchange December FTSE 100 index futures began trading at 163.00, compared with 172.50 at Friday's close. The contract fell to a low of 160.00, and finished slightly above the middle of the day's range at 165.00.

As confidence in equities continued to evaporate traders moved into fixed interest investments.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls—Last Dec	Calls—Last March	Puts—Last Dec	Puts—Last March
104	16.26	16.37	0.00	0.09
106	14.27	14.44	0.01	0.16
108	12.28	12.55	0.02	0.27
110	10.31	11.07	0.05	0.43
112	8.33	9.29	0.07	1.01
114	6.46	7.60	0.20	1.32
116	5.00	6.35	0.38	2.07
118	3.27	5.19	1.01	2.55

Estimated volume total, Calls 8,449 Puts 3,657

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls—Last Dec	Calls—Last March	Puts—Last Dec	Puts—Last March
76	11.44	11.17	0.02	0.33
78	9.47	9.37	0.05	0.53
80	7.55	8.00	0.13	1.16
82	6.06	6.37	0.28	1.53
84	4.33	5.20	0.55	2.36
86	3.13	4.10	1.35	3.26
88	2.13	3.20	2.35	4.36
90	1.28	2.34	3.50	5.50

Estimated volume total, Calls 298 Puts 233

LIFFE FT-SE 100 INDEX FUTURES OPTIONS

Strike Price	Calls—Last Oct.	Calls—Last Nov.	Puts—Last Oct.	Puts—Last Nov.
18750	2.44	5.62	24.94	28.12
19000	2.06	5.07	27.06	30.07
19250	1.73	4.56	29.23	32.06
19500	1.45	4.30	31.45	34.10
19750	1.21	3.68	33.71	36.18
20000	1.00	3.30	36.00	38.30
20250	0.83	2.96	38.33	40.46
20500	0.68	2.64	40.68	42.64

Estimated volume total, Calls 0 Puts 0

LIFFE £/$ OPTIONS

[illegible]

LONDON SE £/$ OPTIONS

[illegible]

PHILADELPHIA SE £/$ OPTIONS

[illegible]

LIFFE-EURODOLLAR OPTIONS

[illegible]

LONDON

20-YEAR 12% NATIONAL GILT

[illegible]

6% NOTIONAL LONG TERM JAPANESE GOVT BOND

[illegible]

THREE-MONTH STERLING

[illegible]

FT-SE 100 INDEX

[illegible]

THREE-MONTH EURODOLLAR

[illegible]

U.S. TREASURY BONDS

[illegible]

CURRENCY FUTURES

[illegible]

CHICAGO

U.S. TREASURY BONDS (CBT)

[illegible]

U.S. TREASURY BILLS (IMM)

[illegible]

SWISS FRANC (IMM)
SFr 125,000 $ per SFr

	Latest	High	Low	Prev.
Dec.	0.6885	0.6888	0.6855	0.6823
Mar.	0.6940	0.6940	0.6913	0.6878
Jun.	0.7015	0.7015	0.7000	0.6938
Sept.	0.7050	0.7050	—	0.7000

JAPANESE YEN (IMM)

[illegible]

DEUTSCHE MARK (IMM)

[illegible]

THREE-MONTH EURODOLLAR (IMM)

	Latest	High	Low	Prev.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sept.	91.23	91.30	90.20	91.02
Dec.	90.90	90.95	90.90	90.69
Mar.	—	90.72	90.60	90.46
June	90.44	90.50	90.40	90.26
Sept.	90.32	90.33	90.30	90.10

STANDARD & POORS 500 INDEX
$500 times index

	Close	High	Low	Prev.
Sept.	237.00	248.20	226.50	261.00
Dec.	233.00	237.00	228.00	242.85
Mar.	235.55	238.00	228.00	245.48
Jan.	236.50	239.00	233.45	249.50

£ WORLD VALUE OF THE POUND

The table below gives the latest available rate of exchange for the pound against various currencies on October 26, 1987. In some cases rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

Abbreviations: (A) approximate rate, no direct quotation available; (F) free rate; (P) based on U.S. dollar parities and going sterling-dollar rates; (T) tourist rate; (Bas) basic rate; (bg) buying rate; (Bk) bankers' rate; (cm) commercial rate; (ch) convertible rate; (fn) financial rate; (exC) exchange certificate rate; (nc) non commercial rate; (nom) nominal; (o) official rate; (sg) selling rate; (c) controlled rate.

COUNTRY	CURRENCY	VALUE OF £ STERLING	COUNTRY	CURRENCY	VALUE OF £ STERLING	COUNTRY	CURRENCY	VALUE OF £ STERLING
Afghanistan	Afghani	99.25	Ghana	Cedi	293.103	Panama	Balboa	1.6890
Albania	Lek	10.3162	Gibraltar	Gibraltar £	1.0	Papua New Guinea	Kina	1.4975
Algeria	Dinar	7.8876	Greece	Drachma	220.85	Paraguay	Guarani	341.28 / 1446.23
Andorra	French Franc / Spanish Peseta	10.0450 / 194.68	Greenland	Danish Kroner	11.5100	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

MONEY MARKETS

Rates decline

DOWNWARD PRESSURE continued on interest rates yesterday, as share prices fell sharply in the US; Europe; and the Far East. This led to comments that an international package of interest rate cuts, and a firm commitment from the Reagan Administration to reduce the US budget deficit, are required to restore confidence.

In New York the Federal Reserve acted in an attempt to restore calm to markets with an early addition of liquidity to the banking system.

UK clearing bank base lending rate 9½ per cent from October 26

The central bank intervened more than one and a half hours earlier than usual to add reserves with three-day system repurchase agreements when Federal funds were trading at 7⅛ per cent, compared with an average of 7 per cent on Friday.

The Bank of England prevented any further reduction in differentials between London and other major financial centres, by keeping its money market intervention rate unchanged, and thus resisting pressure in the market for another immediate cut in UK bank base rates.

Three-month interbank fell to 9⅝-9¼ per cent from 9⅝-9½ per cent, after touching 9¼-9 per cent.

The Bank of England initially forecast a money market shortage of £950m, but revised this to £1,100m at noon, and to £1,150m in the afternoon. Total help of £1,194m was provided.

In an early round of help the authorities bought £387m bills for resale to the market on November 4, at a rate of 9$\frac{13}{32}$ per cent. Another £130m bills were purchased on similar terms before lunch.

In the afternoon the Bank of England bought £186m bills outright, by way of £12m Treasury bills in band 1 at 9⅜ per cent; £2m local authority bills in band 1 at *9⅜ per cent; and £172m bank bills* in band 1 at 9⅜ per cent. A further £201m bills were bought for resale to the market on the same terms as in the morning.

Late assistance of £[illegible]m was also provided.

Bills maturing in official hands, repayment of late assistance, and a take-up of Treasury bills drained £921m, with Exchequer transactions absorbing £440m, and bank balances below target £140m. These outweighed a fall in the note circulation adding £360m to liquidity.

In Frankfurt call money rose to 3.80 per cent from 3.65 per cent, as banks bid for funds to meet end of month requirements. Banks ran down their reserve holdings at the *Bundesbank to* DM 42.6bn last Thursday, from DM 45.7bn on Wednesday, but are not expected to find difficulty in meeting the central bank's minimum average requirement for the month.

FT LONDON INTERBANK FIXING

[illegible]

MONEY RATES

NEW YORK (Lunchtime)

[illegible]

LONDON MONEY RATES

[illegible]

WORLD MARKETS

FT-ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS — Figures in parentheses show number of stocks per grouping	FRIDAY OCTOBER 23 1987 US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	THURSDAY OCTOBER 22 1987 US Dollar Index	Pound Sterling Index	Local Currency Index	DOLLAR INDEX 1987 High	1987 Low	Year ago (approx)
Australia (90)	119.59	−6.5	105.72	111.00	3.56	127.90	114.93	118.72	180.81	99.92	90.12
Austria (16)	96.24	+0.1	85.08	90.22	2.29	96.11	86.36	90.58	102.87	85.53	94.24
Belgium (48)	111.59	−1.7	98.65	104.02	4.54	113.52	102.01	106.25	134.89	96.19	89.34
Canada (129)	106.46	−0.3	94.12	101.30	2.95	106.77	95.94	101.79	141.78	100.00	97.69
Denmark (38)	110.59	+0.0	97.77	103.60	2.83	110.59	99.37	104.58	124.83	98.18	97.97
France (122)	90.99	−0.5	80.44	85.28	3.20	91.41	82.14	86.75	121.82	90.91	96.67
West Germany (93)	87.14	−0.2	77.03	80.93	2.31	87.29	78.44	82.30	104.93	84.00	92.14
Hong Kong (46)	133.19	+0.0	117.75	133.64	3.64	133.25	119.73	133.64	158.68	96.89	89.56
Ireland (14)	123.12	+2.2	108.85	116.78	3.83	120.46	108.23	114.88	160.22	99.50	81.04
Italy (95)	85.14	−1.6	75.27	81.96	2.29	86.52	77.74	84.55	112.11	84.22	103.13
Japan (458)	131.71	−3.8	116.44	118.77	0.57	136.85	122.97	125.09	161.28	100.00	84.60
Malaysia (36)	124.77	−9.6	110.31	121.39	3.00	138.08	124.07	134.38	193.64	98.24	99.96
Mexico (14)	292.74	−0.2	258.80	520.91	0.58	293.28	263.52	520.91	422.99	99.72	82.41
Netherland (37)	102.81	+3.0	90.89	94.31	4.69	99.79	89.66	92.89	131.41	95.89	93.42
New Zealand (25)	104.67	−3.4	92.53	85.51	3.47	108.40	97.40	89.10	138.99	83.93	79.49
Norway (24)	139.21	−0.5	123.07	124.95	2.17	139.97	125.76	126.29	185.01	100.00	102.05
Singapore (27)	108.82	−12.9	96.21	104.57	2.36	124.98	112.30	120.20	174.28	99.29	101.42
South Africa (61)	149.91	−7.8	132.53	113.01	3.71	162.61	146.11	122.60	198.09	100.00	85.75
Spain (43)	145.40	−2.2	128.54	127.50	3.15	148.69	133.60	131.85	168.81	100.00	92.37
Sweden (34)	116.06	+0.6	102.61	108.37	2.09	115.35	103.65	108.99	136.64	90.85	98.91
Switzerland (53)	89.09	+0.4	78.76	81.60	2.00	88.70	79.70	82.79	111.11	88.70	92.19
United Kingdom (335)	124.43	−0.8	110.01	110.01	4.06	125.41	112.68	112.68	162.87	99.65	90.13
USA (583)	101.29	−0.3	89.55	101.29	3.66	101.57	91.26	101.57	137.42	92.83	99.23
Europe (952)	106.10	−0.5	93.80	96.40	3.41	106.62	95.80	98.32	130.02	99.78	92.81
Pacific Basin (680)	130.95	−3.8	115.77	118.51	0.78	136.13	122.31	124.76	158.77	100.00	84.97
Euro–Pacific (1632)	121.06	−2.7	107.02	109.70	1.70	124.37	111.75	114.22	143.65	100.00	88.07
North America (712)	101.57	−0.3	89.79	101.31	3.62	101.85	91.51	101.60	137.55	94.04	99.15
Europe Ex. UK (617)	94.73	−0.2	83.75	88.07	2.87	94.96	85.33	89.50	111.97	93.70	95.21
Pacific Ex. Japan (222)	121.95	−4.4	107.82	115.21	3.51	127.56	114.62	120.54	164.03	99.92	89.73
World Ex. US (1836)	120.96	−2.7	106.93	109.70	1.77	124.25	111.65	114.14	143.38	100.00	88.39
World Ex. UK (2084)	112.25	−2.0	99.24	106.49	2.24	114.50	102.88	109.44	138.82	100.00	92.86
World Ex. So. Af. (2358)	113.09	−1.8	99.98	106.71	2.41	115.15	103.47	109.58	139.47	100.00	92.65
World Ex. Japan (1961)	104.53	−0.7	92.41	100.70	3.54	105.22	94.55	101.91	134.22	100.00	96.46
The World Index (2419)	113.33	−1.8	100.19	106.79	2.42	115.46	103.74	109.71	139.73	100.00	92.61

Base values: Dec 31, 1986 = 100

Hong Kong market suspended.
New York market closed at 14:00 hrs local time October 23.
Amendments to indices for October 23 applied to the following:United Kingdom and the regional indices.
Latest prices were unavailable for this edition.

EUROPEAN OPTIONS EXCHANGE

Series		Nov 87 Vol.	Last	Feb 88 Vol.	Last	May 88 Vol.	Last	Stock
GOLD C	$460	266	22	39	40.50	—	—	$476.80
GOLD C	$500	247	7.40	200	20	55	28	"
GOLD C	$520	121	4.40	42	14	2	21	"
GOLD P	$400	—	—	105	1.50	—	—	"
GOLD P	$420	—	—	—	—	200	4.50B	"
GOLD P	$440	202	1.50	180	7	—	—	"
		Dec. 87		Mar. 88		June 88		
SILVER C	$700	170	95	—	—	—	—	$751
SILVER C	$800	55	45	—	—	—	—	"
SILVER C	$850	—	—	25	65	—	—	"
		Nov. 87		Dec. 87		Jan. 88		
$/Fl C	FL195	—	—	20	6.50	—	—	FL199.25
$/Fl C	FL200	3	2.80	201	3.80	—	—	"
$/Fl C	FL205	50	0.90	122	1.60	—	—	"
$/Fl C	FL210	10	0.20	13	0.90B	20	1.20	"
$/Fl P	FL190	100	0.60	110	1.50	234	1.90	"
$/Fl P	FL195	166	1.50	70	1.80	15	3.10	"
$/Fl P	FL200	299	3	156	4.20	59	5	"
$/Fl P	FL205	49	6.70	59	7.50	1	8.80B	"
$/Fl P	FL215	—	—	6	16.80A	—	—	"
$/Fl P	FL235	—	—	23	36.50	—	—	"
		Mar. 88		June 88		Sept. 88		
$/Fl C	FL200	36	4.40	5	5.60	—	—	FL199.25
$/Fl C	FL210	10	1.60	35	3	—	—	"
$/Fl P	FL190	15	2.80	—	—	6	5.70	"
$/Fl P	FL195	2	4.60A	—	—	—	—	"
$/Fl P	FL200	180	6.60	—	—	80	11	"
$/Fl P	FL205	25	9.50	6	12.50A	—	—	"
$/Fl P	FL215	—	—	—	—	25	20.50	"
		Jan. 88		Apr. 88		Jul. 88		
ABN C	Fl.40	399	2.40	117	3.70	16	4.80	Fl.37
ABN P	Fl.40	1109	5	71	5.30	158	5.70	"
AEGON P	FL65	80	10.50A	—	—	7	12	FL58.30
AHOLD C	Fl.70	100	5.30	3	7.50	—	—	FL61.20
AHOLD P	FL70	276	12.50	—	—	—	—	"
AKZO C	Fl.140	545	6.20	51	9.50	17	11	FL125
AKZO P	Fl.120	1065	7.20	12	10.50	1	13	"
AMEV C	Fl.48	118	0.80	—	—	—	—	FL43
AMRO C	Fl.65	277	2.70	35	4.50	—	—	Fl.60.10
AMRO P	FL65	490	7	19	7.50B	5	8.50	"
ELSEVIER C	FL50	397	1.80	17	3.30	12	4.50	FL43
ELSEVIER P	FL60	275	20.50A	179	21	16	22	"
GIST-BROC. C	Fl.45	61	1.70	33	2.80A	2	3.60	Fl.35.70
GIST-BROC. P	Fl.35	125	3.40	11	4.10	34	4.40B	"
HEINEKEN C	Fl.180	114	1.80	—	—	—	—	FL133
HOOGOVENS C	FL40	209	1.80	24	3.30B	102	4.50	FL34
HOOGOVENS P	FL40	373	7.50	11	8	9	8	"
KLM C	FL50	383	1.30A	90	2	3	3.20	FL36.60
KLM P	Fl.40	615	6	74	7.50	150	7.50B	"
NEDLLOYD C	Fl.170	66	4.10	—	—	—	—	FL134
NAT NED P	Fl.60	279	10.20	142	11.50	—	—	FL50
PHILIPS C	Fl.40	669	3.50	76	4.80	109	5.50	Fl.38.20
PHILIPS P	Fl.40	852	5.70	31	6.40	197	7.20	"
ROYAL DUTCH C	FL230	565	8.20	260	13	2	18	FL209
ROBECO C	FL90	27	6.70	11	9	—	—	Fl.86
UNILEVER C	Fl.125	493	2.80	—	—	—	—	Fl.101.70

TOTAL VOLUME IN CONTRACTS: 66,424
A=Ask B=Bid C=Call P=Put

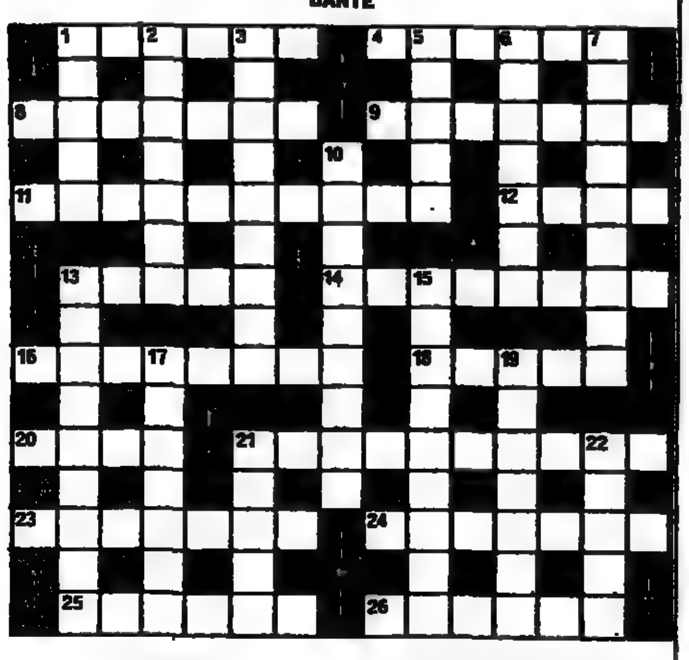
BASE LENDING RATES

	%		%		%
ABN Bank	9½	● Charterhouse Bank	10	Nat Bk. of Kuwait	9½
Adam & Company	10	Citibank NA	9½	NatWestminster	9½
Allied Arab Bk Ltd	10	City Merchants Bank	9½	Northern Bank Ltd	9½
Allied Dunbar & Co	9½	Clydesdale Bank	9½	Norwich Gen. Trust	9½
Allied Irish Bank	9½	Comm. Bk. N. East	10	PK Finans. Intl (UK)	10
American Exp. Bk.	9½	Consolidated Credit	9½	Provincial Trust Ltd	11
Amro Bank	9½	Co-operative Bank	*10	R. Raphael & Sons	9½
Henry Ansbacher	10	Cyprus Popular Bk	9½	Roxburghe G'rantee	10½
ANZ Banking Group	9½	Duncan Lawrie	9½	Royal Bk of Scotland	9½
Associates Cap Corp	10	Equatorial Tst'C'p plc	10	Royal Trust Bank	10
Authority & Co Ltd	9½	Exeter Trust Ltd	10	Smith Williams Secs	9½
Banco de Bilbao	9½	Financial & Gen. Sec	10	Standard Chartered	9½
Bank Hapoalim	9½	First Nat. Fin. Corp	11	TSB	9½
Bank Leumi (UK)	10	First Nat. Sec. Ltd	11	UDT Mortgage Exp	¶11.1
Bank Credit & Comm	10	● Robert Fleming & Co	9½	United Bk of Kuwait	9½
Bank of Cyprus	10	Robert Fraser & Ptrs	10½	United Mizrahi Bank	9½
Bank of Ireland	10	Girobank	9½	Unity Trust PLC	9½
Bank of India	10	Grindlays Bank	9½	Western Trust	10
Bank of Scotland	9½	● Guinness Mahon	9½	Westpac Bank. Corp	9½
Banque Belge Ltd	9½	HFC Trust & Savings	9½	Whiteaway Laidlaw	10
Barclays Bank	9½	● Hambros Bank	9½	Yorkshire Bank	9½
Benchmark Tst Ltd	10	Heritable & Gen. Tst	10		
Beneficial Trust Ltd	11	● Hill Samuel	§10		
Berliner Bank AG	9½	C. Hoare & Co	9½		
Brit Bk of Mid East	9½	Hongkong & Shangh	9½		
● Brown Shipley	10	Lloyds Bank	9½		
Business Mtge Tst	10	Meghraj & Sons Ltd	9½		
CL Bank Nederland	10	Midland Bank	9½		
Canada Permanent	10	● Morgan Grenfell	9½		
Cayzer Ltd	9½	Mt. Credit Cpn Ltd	10		

● Members of the Accepting Houses Committee. * 7-day deposits 5%. Sumwise 7.66%. Top Tier—£2,500+ at 3 months' notice 9.31%. At call when £10,000+ remains deposited. ¶ Mortgage base rate. § Demand deposit 4.98%. Mortgage 11.125%.

FT CROSSWORD PUZZLE No. 6,466

DANTE



ACROSS

1 Derby cricketer (6)
4 Condescends to take work on board (6)
8 Alone and helpless (7)
9 If a man is willing, this may be added (7)
11 A sign of economy afoot (10)
12 A classic feature of English woods (4)
13 Such zest is nothing more than wind (5)
14 Sharing a difference of opinion (8)
16 Risk a wet form of sport? (5-3)
18 Conservative-Labour split (5)
20 A way one takes wine (4)
21 They give details of reduced fares (4, 6)
23 Interval elapsing before giving sentence to a convict (4-3)
24 Label in slipper means it can be changed (7)
25 Gear-case? (3-3)
26 Confuses clergyman in jumble sale (6)

DOWN

1 Settle in or out of court (5)
2 They serve, but swear badly about it (7)
3 Ballots to silence discord (9)
5 Hothead in Chinese secret society gets the lash (5)
6 Portentous doctor lifted one with commonsense (7)
7 Continues to be stubborn even though the cane's produced (6, 3)
10 He had a youthful following (4, 5)
13 Kids drink it (5, 4)
15 A group after sin (4, 5)
17 It's obvious I've turned up to make an impression (7)
19 Sphere of vision (7)
21 American lawyer without force or emotion (5)
22 Inclines to be quixotic? (5)

Solution to puzzle No. 6,465

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 BANDOFBROTHERS
S B I I E U S A
TRAIN EXECRATED
R N E L V N O D
ENDURED EXAMPLE
A O   F   S   S
MINES ABSTINENT
  E A R H D X  
UNDERWEAR EVENT
N   K   U   C O
PARCHED BISCUIT
L O O R B O T T
UNDERTAKE UNITE
M E S K R G O R
BLOWEVERYTHING 
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FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

[illegible]

FT UNIT TRUST INFORMATION SERVICE

Mercury Fund Managers—Contd.

Gilt	87.8	88.2	—	7.59
(Accum Units)	104.4	104.9	—	7.59
Global Fund	45.3	47.9	—	0.66
(Accum Units)	45.3	47.9	—	0.66
High Income Fund	47.0	48.3	—	5.15
(Accum Units)	49.7	51.0	—	5.15
High Interest Fund	43.0	45.5	—	9.47
(Accum Units)	44.4	46.9	—	9.47
Income	109.3	115.6	—	3.24
(Accum Units)	126.5	133.6	—	3.24
International	269.7	285.3	—	1.23
(Accum Units)	338.1	357.7	—	1.23
Japan	188.9	199.8	—	0.53
(Accum Units)	194.0	205.2	—	0.53
Pacific Fund	-	-	—	0.10
(Accum Units)	-	-	—	0.10
Recovery	292.3	309.3	—	1.29
(Accum Units)	320.1	338.7	—	1.29
UK Smaller Co's Fund	51.2	54.1	—	1.84
(Accum Units)	51.6	54.6	—	1.84

Merlin Fund Mngmnt Ltd
30 St James St, London SW1A 1HB 01-925 1277

Merlin Oct 14	580.9	589.05	—	1.41

Metropolitan Unit Trust Mngrs Ltd
3 Darkes Lane, Potters Bar EN6 1AJ. 0707 45184

UK Income Fund	51.8	55.1xd	-3.9	5.44
Accum Units	52.4	55.7xd	-3.9	5.39
UK Growth Fund Acc	48.9	52.0	-4.6	1.92
Global Income Fund	45.0	47.8	-0.8	4.18
Accum Units	45.0	47.8	-0.8	4.18
Global Growth Fund	37.4	39.7	-2.5	0.63

Midland Bank Group UT Mngrs. Ltd
Courtwood House, Silver St, Head, Sheffield S1 3RD
Tel: 0742 769842

Capital	97.5	103.5	-8.9	1.48
(Accum Units)	134.9	143.2	-12.3	1.48
Commodity & Gen	153.1	162.5	-6.4	1.66
(Accum Units)	218.6	232.0	-9.1	1.66
European Growth	113.1	120.0	-2.6	1.36
(Accum Units)	136.4	144.8	-3.1	1.36
Extra High Inc	64.8	68.8xd	-2.2	7.24
(Accum Units)	80.6	85.6	-2.74	7.24
Gilt & Fxd. Int.	55.2	57.7	+4.0	8.10
(Accum Units)	98.0	102.4	+7.0	8.10
High Yield	183.7	195.0	-9.9	4.96
(Accum Units)	324.9	344.8	-17.6	4.96
Income	192.4	204.2	-12.5	3.64
(Accum Units)	326.4	346.4	-21.2	3.64
Intl High St UT	45.8	48.7	-3.5	2.40
Do. Accum	45.8	48.7	-3.5	2.40
Japan and Pacific	269.6	286.1	-23.9	0.13
(Accum Units)	283.2	300.5	-25.1	0.13
Managed Portfolio Acc	56.0	59.3	-3.6	1.54
North American	93.4	99.34	-7.3	1.60
(Accum Units)	112.8	119.9	-8.9	1.60
Smaller Cos.	176.4	187.2	-13.2	1.27
(Accum Units)	191.0	202.7	-14.5	1.27

MIM Britannia Unit Tst Mgrs Ltd (a)(c)(g)
74-78 Finsbury Pavement, London EC2A 1JD
01-588 2777 Dealing only: 0800 010733

UK Specialist Trusts

Growth Gilt	63.9	64.9	+1.2	0.32
Smaller Companies	199.5	212.8	-19.9	0.51
Special Features	121.7	129.8xd	-7.7	0.23
(Accum Units)	128.0	136.5	-8.1	0.22

General Funds

Assets & Earnings	50.5	53.9	-4.2	1.49
Accum Units	50.9	54.3	-4.2	1.49
Managed Invest Fund	52.1	55.6	-3.7	1.16
UK Growth	39.5	42.1	-4.3	0.87

High Income Funds

Extra Income	66.2	70.6	-3.3	6.17
Gilt	26.0	27.4	+1.0	8.89
Income & Growth	236.6	252.4xd	-16.4	3.76
National High Income	210.3	224.3xd	-15.6	4.90
Preference Shares	19.6	20.9	-0.3	8.78

Sector Specialist Funds

Commodity Shares	170.7	182.1	-11.3	0.14
Financial Securities	42.7	45.5	-3.2	0.60
Gold	72.5	78.2	-6.3	0.00
Accum Units	75.3	81.2	-6.6	0.00
International Leisure	13.3	14.2	-0.7	0.00
Property Shares	74.9	79.9xd	-10.7	0.00
Universal Energy	51.7	55.1	-2.3	0.98
World Technology	34.3	36.6	-2.4	0.00

Provident Mutual Unit Trust Managers Ltd.
25-31 Moorgate, London, EC2R 6BA. 01-588 3963

PM Equity Growth	109.6	116.6	—	1.08
PM Income and Growth	95.1	101.2	—	3.26
PM N American Growth	45.4	48.2	—	0.41
PM European Growth	47.6	50.6	—	0.62
PM Japan Growth	65.8	69.9	—	0.99
PM Overseas Growth	47.7	50.7	—	0.58

Prudential Holborn Unit Trusts Ltd(a) (b) (c)
51-69 Ilford Hill, Ilford, Essex IG1 2DL 01-478 3377
Holborn LinkLine 0800 010885

Holborn Comm Tst.	66.2	71.1	—	0.43
Holborn Equity Income	65.0	69.8	—	3.69
Holborn Equity Tst	467.9	500.6xd	—	2.70
Holborn European Tst.	100.9	107.9	—	0.77
Holborn High Inc Tst	80.8	86.8xd	—	4.97
Holborn Intl Grth Tst	96.8	104.0	—	0.86
Holborn Intl Sm Co	40.9	43.9	—	0.05
Holborn Japanese Tst	118.8	127.1	—	0.05
Holborn N. Amer Tst	66.9	73.9	—	0.66
Holborn Premier Inc	42.2	45.1	—	2.20
Holborn Sm Cos Tst	70.5	75.8	—	1.53
Holborn Spec Sits Tst	82.2	88.5	—	1.66
Holborn UK Growth Tst.	90.4	97.1	—	1.98

Quilter Management Co Ltd
31-45 Gresham Street, London EC2 01-600 4177

Quadrant Gen. Fd	692.8	731.2xd	—	1.33
Quadrant Income	353.9	374.6	—	3.53
Quadrant Intl. Fund	461.1	488.0	—	1.09
Quadrant Spec. Sits	495.4	524.3xd	—	1.11

Reliance Unit Mgrs. Ltd
Reliance House, Tunbridge Wells, Kent 0892 510033

British Life	180.8	192.2xd	-18.5	3.14
Reliance Unit Tst (Inc)	136.0	144.6xd	-13.8	1.82
Reliance Ut Tst (Acc)	184.1	195.8	-18.7	1.82

Rensburg Fund Managers
Silkhouse Ct., Tithebarn St., Liverpool. 051-227 2030

Internat. Growth Trust	39.0	42.6xd	—	—

FT UNIT TRUST INFORMATION SERVICE

Manufacturers Life Insurance—Contd.

Gilt-Edged Inc	224.7		–	–
Do. Accum	277.7		–	–
Guaranteed Inc	159.5		–	–
Do. Accum	197.5		–	–
International Inc	424.6		–	–
Do. Accum	524.3		–	–
Index Lk. Gilt Inc	126.3		–	–
Do. Accum	156.0		–	–

Merchant Investors Assurance
Leon House, 233 High St, Croydon 01-686 9171

Property	325.1		+0.1	–
Property Pens.	441.9		+0.4	–
Equity	169.6		-3.6	–
Equity Pens.	728.2		-21.8	–
Money Market	302.4		+5.8	–
Money Mkt. Pens.	546.5		+10.7	–
Deposit	240.8		+0.1	–
Deposit Pens.	386.9		+0.1	–
Managed	267.5		-5.6	–
Managed Pens.	495.6		-14.8	–
Intl Equity	298.1		-10.7	–
Do. Pens.	450.2		-23.4	–
Intl Managed	273.3		-8.0	–
Do. Pens.	388.8		-16.0	–
North American	112.9		-1.3	–
Do. Pens.	120.7		-1.7	–
Far East	251.5		-16.8	–
Do. Pens.	344.9		-34.0	–
Intnl Currency	166.7		-1.7	–
Do. Pens.	213.9		-3.1	–
Index Linked	120.3		+2.9	–
S & C Managed Fd	122.0		-3.9	–
S & C Pens Mngd Fd	93.9		-4.2	–
Bell Chambers	117.4		-0.8	–
Loran & Loran	120.7		+0.0	–
Midon Mngd Fd	159.4		+0.8	–

Trustlink Life Funds

Per Worldwide Rec.	142.7		-5.3	–
Per Far East Growth	169.8		-9.3	–
Per Intl Growth	137.2		-5.8	–
Per Income	151.7		-3.7	–
Per Emerging Co's	133.6		-6.1	–
Per American Growth	119.8		-4.6	–
Per European Growth	117.0		-3.7	–
Fra American & Gen	96.9		-3.9	–
Fra Capital	162.7		-8.2	–
Fra Income	200.6		-8.8	–
Fra Intl Growth	112.4		-4.7	–
Fra Japan & Gen	159.0		-9.4	–
Fra Recovery	165.9		-7.3	–
Fra Convertible & Gilt	134.5		-2.6	–
Fra European	118.5		-3.9	–
GAR American	103.6		-0.1	–
GAR European	140.3		-0.6	–
GAR Far Eastern	140.8		-6.2	–
GAR British	148.3		-7.9	–
GAR Global	142.8		-6.0	–
GAR Special Situations	164.1		-10.5	–
GAR Smaller Co's	195.9		-9.6	–
GAR Australian	134.0		-7.3	–
HEN Managed	161.1		-4.5	–
HEN UK Growth	169.0		-6.7	–
HEN UK Income	174.7		-5.7	–
HEN American	112.8		+2.7	–
HEN Far East	175.5		-1.4	–
HEN European	156.8		-2.1	–
HEN Prime Pen Prop	200.4		+0.0	–
TSB American	115.1		+7.8	–
TSB General	146.6		+33.0	–
TSB Managed	144.2		+7.9	–
TSB Pacific	170.1		-3.1	–
TSB Selected Opps	162.7		-9.8	–
FID American	96.5		-1.8	–
FID Japan	109.7		-0.7	–
FID European	130.4		-1.7	–
FID UK	129.9		-1.7	–
FID Pacific	117.5		-11.9	–
FID Intl Managed	121.0		-3.6	–
FID Int. Income	111.1		+1.6	–
FID Intl Spec Sits	143.0		-3.7	–

Municipal Life Assurance Ltd

Norwich Union Asset Management Ltd
PO Box 124, Norwich NR1 3JS 0603 683986

NUAM Funds

Managed Fund	48.7	51.3	-1.7	–
Stock Market Mngd Fund	46.8	49.3	-2.4	–
Equity Fund	50.4	53.1	-3.3	–
International Fund	43.8	46.2	-1.5	–
European Fund	48.3	50.9	-2.3	–
North American Fund	38.5	40.6	-0.3	–
Pacific Fund	52.0	54.8	-3.2	–
Property Fund	53.0	55.8	–	–
Fixed Interest Funds	50.5	53.2	+1.1	–
Index Linked Sec Fund	46.0	48.5	+1.1	–
Deposit Fund	51.8	54.6	–	–

NUAM Retirement Plans

Mixed Fund	51.8	54.6	-1.2	–
UK Ordinary Share	59.3	62.5	-2.1	–
International Fund	44.1	46.5	-1.5	–
Property Fund	53.0	55.8	–	–
Fixed Interest Fund	51.4	54.2	+1.1	–
Index Linked Sec Fund	45.3	47.7	+0.2	–
Deposit Fund	53.9	56.8	–	–

NUAM (MF)

Managed Fund	659.2	693.9	-24.8	–
Equity Fund	1302.5	1371.1	-90.9	–
Property Fund	329.7	347.1	–	–
Fixed Interest Fund	372.4	392.0	+8.6	–
Deposit Fund	211.6	222.8	+0.1	–
International Fund	114.0	120.0	-3.8	–
Index Linked Sec Fund	46.1	48.6	+1.2	–

Norwich Union Life Insurance Soc.
PO Box 4, Norwich NR1 3NG 0603 622200

Pensionvestor & Unit-Linked Plus

Fixed Interest Fund	248.7	261.7	–	–
Index-Linked Sec Fund	127.0	133.6	–	–
Ordinary Share Fund	490.5	516.3	–	–
International Fund	117.5	123.6	–	–
Property Fund	164.2	172.8	–	–
Deposit Fund	168.8	177.6	–	–
Mixed Fund	310.3	326.6	–	–
Norwich Units Oct 15	1047.9		–	–

*Prices as at June 30.

Pearl Assurance (Unit Funds) Ltd
252 High Holborn, London WC1V 7EB 01-405 8441

Prop. Dist. (Gross)(z)	158.8	167.2	–	–
Prop. Acc. (Gross) (z)	249.1	263.3	–	–
Equity (Gross) (z)	618.0	650.6	-33.6	–
Managed (Gross) (z)	441.3	464.6	-26.1	–
Prop. Acc. (Net) (z)	114.8	120.9	–	–
Equity (Net) (z)	145.2	152.8	-9.3	–
Managed (Net) (z)	136.0	143.2	-6.2	–
International (net) (z)	124.2	130.7	-5.3	–
Gilt & Fxd Interest	90.5	95.3	+0.2	–
Money Fund	96.5	101.6	+0.1	–

Pearl Assurance (Unit Linked Pens) Ltd

Ret Man (Series 1) (z)	414.9	436.8	-17.8	–
Ret Man (Series 2) (z)	140.7	148.2	-6.0	–
Ret Cash (z)	116.1	122.3	–	–

Phoenix Assurance Co Ltd
Phoenix House, Redcliff Hill, Bristol 0272 294941

Life Assurance Funds

Wealth Assd.	399.0	420.1	–	–
Eb'r Ph Eq.	388.9	412.3	–	–

Pension Plan Funds

Phoenix

UK Equity Acc.	145.9	153.6	-21.1	–
International Acc.	140.6	147.9	-4.3	–
Property Acc.	117.5	123.6	–	–
Fixed Interest Acc.	147.5	155.2	+4.3	–
Money Acc.	126.1	132.7	–	–
Bldg. Soc. Link Acc.	129.9	136.7	+0.1	–
Special Mngd. Acc.	139.7	147.0	-10.8	–

Phoenix/Framlington

Intnl Growth Acc.	84.5	88.9	-4.8	–
Amer. & Gen. Acc.	77.2	81.2	-3.5	–
Capital Tst. Acc.	185.6	193.3	-6.8	–
Japan & Gen Acc.	149.8	157.6	-5.5	–
American Turn. Acc.	75.5	79.4	+5.7	–

OFFSHORE AND OVERSEAS

MANAGEMENT SERVICES

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

1987 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
101¾	100⅛	Treas. 12pc 1987	100⅛xd	.....	—	—
99⅔	97⅞	Treas 7¾pc 1985-88‡‡	99⅝	–⅛	7.77	8.48
102⅞	99⅝	Exch 10½pc '88	100⅞xd	+⅛	10.42	8.98
101⅝	98⅞	Treas 9¾pc Cv '88	100⅞	+⅛	9.71	8.94
97⅞	93⅛	Transport 3pc '78-88	97⅞	+⅛	3.08	7.05
101⅛	98⅛	Treas. 9½pc '88	100⅝xd	+½	9.46	8.97
105⅝	101⅛	Treas 11½pc 1989	102⅞	+⅛	11.19	9.16
102⅞	97⅞	Treas 9½pc Cnv 1989	100½xd	+½	9.45	9.07
94⅝	89⅝	Treas 3pc 1989	94⅝xd	+⅞	3.18	6.84
104⅝	99⅞	Treas 10½pc 1989	101⅞	+⅞	10.30	9.18
103⅞	98½	Exch 10pc 1989	101⅞	+⅞	9.88	9.22
105⅝	100⅛	Exch 11pc 1989	102⅞	+⅞	10.68	9.22
94⅞	89⅞	Treas 5pc 1986-89	94⅞xd	+⅞	5.31	8.20
108⅞	99⅞	Exch 10¾pc Cv '89	105⅞xd	+1⅛	9.95	8.62
111⅞	104⅞	Treas 13pc 1990‡‡	107⅞	+⅞	12.09	9.12
106⅝	100⅞	Exch 11pc 1990‡‡	103⅞	+⅞	10.63	9.21
110⅞	103⅞	Exch. 12½pc 1990	107⅞xd	+⅞	11.69	9.21
91⅞	84⅝	Treas. 3pc 1990	90⅛xd	+1⅛	3.33	7.35
100⅞	93⅞	Treas 8¼pc 1987-90‡‡	98⅛	+1⅛	8.40	9.02
105	97⅞	Treas. 10pc Cv 1990	101⅞xd	+⅞	9.82	9.28
89⅞	81⅞	Exch 2½pc 1990	87⅞xd	+1¼	2.85	7.04
110⅞	102⅞	Treas 11¾pc 1991	106⅞	+⅞	11.02	9.28
95⅞	87⅞	Funding 5¾pc '87-91‡‡	91⅞	+1⅛	6.32	8.83
89⅞	80⅞	Treas. 3pc 1991	86⅞xd	+⅞	3.48	7.51
110⅞	98⅞	Treas 10pc Cv '91 ‡‡	103⅞	+1⅛	9.67	8.89
107⅞	101⅞	Exch. 11pc 1991	105⅞	+1⅛	10.43	9.31
96⅞	91⅞	Treas. 8pc 1991	95⅞	+1⅛		
116⅞	107⅞	Treas 12¾pc 1992‡‡	112⅞	+1⅛	11.42	9.33
106⅞	97⅞	Treas 10pc 1992	102⅞	+1⅛	9.78	9.32
99⅞	90⅞	Treas. 8pc 1992 ‡‡	95⅞	+1⅛	8.70	10.25
108⅞	99⅞	Treas 10½pc Cv 1992‡‡	104⅞xd	+1⅛	10.08	9.35
85⅞	79⅞	Treas. 3pc 1992	82⅞	+1⅛	3.74	8.03
115⅞	105⅞	Exch. 12¼pc '92	110⅞	+1⅛	11.07	9.42
121⅞	110⅞	Exch 13½pc 1992	115⅞	+1⅛	11.68	9.44

Five to Fifteen Years

BRITISH FUNDS—Contd

1987 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
		Undated				
45⅝	39⅞	Consols 4pc	43⅞	+1⅛	9.16	—
40⅝	34⅞	War Loan 3½pc‡‡	40⅛xd	+⅞	8.77	—
51⅞	46⅞	Conv. 3½pc '61 Aft.	50⅝xd	+1⅛	7.18	—
34⅞	29⅞	Treas. 3pc '66 Aft.	32⅞xd	+1⅛	9.68	—
28⅝	24⅞	Consols 2½pc	27⅛xd	+⅞	9.39	—
28⅝	24⅞	Treas. 2½pc	27⅛xd	+⅞	9.28	—

Index-Linked

1987 High	Low	Stock	(b)	Price £	+ or –	(1)	(2)
132¾	125½	Treas. 2pc '88	(297.1)	132⅜xd	+⅛	—	—
117⅝	108⅞	Do. 2pc '90	(393.9)	115⅝	+⅞	1.85	2.69
99⅞	93½	Do. 2pc '92‡‡	(385.8)	96⅞	+⅞	2.87	3.21
128⅞	119⅞	Do. 2pc '96	(267.9)	122⅝	+1⅛	4.07	4.22
111⅛	96⅝	Do 2½pc '01	(308.8)	102⅞	+1⅞	4.26	4.35
110	94⅝	Do. 2½pc '03	(310.7)	100⅛xd	+2⅛	4.36	4.34
113⅞	94⅞	Do. 2pc '06	(274.1)	100⅛	+2⅞	4.31	4.33
108	89⅞	Do. 2½pc '09	(310.7)	95⅛xd	+2⅞	4.24	4.27
113⅞	93⅞	Do. 2½pc '11	(294.1)	92⅞	+2½	4.30	4.22
95⅞	76⅞	Do. 2½pc '13	(351.9)	82⅞	+2⅞	4.15	4.17
103⅞	83⅝	Do. 2½pc '16	(322.0)	89⅛	+2⅞	4.09	4.10
101⅞	81⅞	Do. 2½pc '20	(327.3)	87⅞xd	+2⅛	3.99	3.98
86⅞	68⅞	Do. 2½pc '24 ‡‡(385.3)		74⅞	+2½	3.90	3.88

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing, ie 8 months prior to issue. RPI for February 1987: 100.4 and for September 1987: 102.4 (rebased at 100 January 1987 conversion factor 3.945).

INT. BANK AND O'SEAS GOVT STERLING ISSUES

1987 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
113⅞	97⅞	African Dv Bk 11¼Ln 2010	106½	+2⅛	10.45	10.36
109⅞	95	Asian Dev Bk 10¼pcLn2009	101⅛	+1⅛	10.11	10.08
136	117⅞	Australia 13½pc 2010	127⅞	+2⅛	10.59	10.32
118⅞	100⅞	Do. 11¾pcLn2015	110⅞	+2⅛	10.33	10.26
115⅞	99⅞	Euro Inv Bk 11pc Ln 2002	108	+1⅞	10.19	9.94
110⅞	94⅞	Do. 10¼pc2004	103½	+1⅞	10.03	9.94
126⅞	109⅞	Int-Am Dev Bk 12½pc 2003	118⅞xd	+1⅛	10.55	10.07
104⅞	88⅞	Do. 9¾pcLn 2015	96⅞	+2	10.06	10.09
97⅞	83	Malaysia 10¾pcLn 2009	94⅞xd	+1½	11.42	11.47
115	98⅞	NZ 11¼pc 2008	108xd	+2	10.42	10.30
123⅞	100⅞	Do 11½pc 2014	110⅞	+2⅛	10.40	10.31
127⅞	100⅞	Sweden 13½pc Ln 2010	127⅞	+2⅞	10.56	10.27
102⅞	96⅞	Utd. Mexican States 16½pc	102⅞xd	+⅛	16.12	13.26

CORPORATION LOANS

1987 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
109⅝	103	Birmingham 13½pc 1989	105⅞xd	+1⅛	12.83	10.60
119	100½	Do. 11½pc 2012	107⅛xd	...	10.72	10.64
95⅛	82½	GLC 6½pc 1990-92	87xd	+½	7.76	10.90
132½	115	Leeds 13½pc 2006	117⅛	...	11.51	13.94
32	22	Liverpool 3½pc Irred.	28xd	...	12.50	—

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

Over Fifteen Years

FOREIGN BONDS & RAILS

1987 High	Low	Stock	Price £	+ or –	Div % Gross	Red. Yield
53	42	Greek 7pc Ass.	45	..	3.50	17.77
52	40	Do. 6pc 28 Stb. Ass.	45xd		3	16.67
50	45	Do 4pc Mixed Ass.	45xd	...	2	14.44
66	58	Hung. '24 Ass	62½	..	2.75	14.40
146½	122⅞	Hydro Quebec 15pc 2011	137⅞	+2⅞	15.00	10.61
136⅞	115½	Iceland 14½pc Ln 2016	128⅞xd	+2⅞	14.50	11.17
103½	94	Ireland 9¾pc '91-96	97⅞xd	–	9.75	11.32

AMERICANS

1987 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
42	24⅞	Abbott Laboratories‖	27⅞	–⅛	$1.00	—	2.2
40⅞	21⅞	Alcoa $1	21⅞	–⅛	$1.20	—	3.5
18⅞	666p	¶Allegheny & W $0.01	666p	–133	30c	—	2.8
19⅞	8⅞	Amax $1	10⅞	–⅛	—	—	—
30⅞	17⅞	Amdahl 5c	18⅞	–⅛	20c	—	0.7
35⅞	19⅞	Amer. Cyanamid $5	22⅞	–⅛	$1.05	—	2.9
25⅞	12⅞	Amer. Express $0.60	15⅞xd	–⅛	76c	—	3.0
12⅞	764p	Amer. Medical Int. $1	770p	–14	¢72c	—	5.7
22½	14⅞	American T. & T. $1	17⅞	–⅛	$1.20	—	4.3
65½	43½	Ameritech $1	51½	–1	‖$4.72	—	5.6
24⅞	15½	Amfac‖	17⅞	–⅛	—	—	—

Continued on next page

Money Market Bank Accounts

Money Market Trust Funds

UNIT TRUST NOTES

LONDON SHARE SERVICE

AMERICANS—Continued

1987 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
39	23⅞	Rep NY Corpn $5	24	–1½	$1.16	—	3.0
18¾	8¾	Rockwell Intl $1	11⅞	+⅛	64c	—	3.4
30¾	16¼	Sara Lee $1	22¾xd	+⅛	$1.00	—	2.7
11¾	8⅞	Saul (B. F.) $1	10¾	–⅛	20c	—	1.1
27½	2¼	Southwestern Bell $1	23	–½	h$2.32	—	6.2
22½	13⅛	Staley Continental	13½	–⅛	80c	—	3.6
44¾	21⅞	Sun Co. Inc. $1	32¾	+⅛	$3.00	—	5.7
42¾	24	TRW Inc. $0.625	26¾	–½	h$1.60	—	3.8
37⅛	24⅞	Tenneco $5	24¾	–⅛	$3.04	—	7.5
220	149½	Do. 10pcLn Stk 91-5	220xd		10%	—	14.7
29⅝	17¾	Texaco $6.25	19¾xd	–⅛	$3.00	—	9.6
74¾	47½	Time Inc. $1	48¾xd	–⅛	$1.00	—	1.3
20⅞	11	Tracor $0.33	18⅛xd	–⅛	40c	—	1.3
30¾	15¾	Transamerica $1	18⅛xd	–⅛	$1.84	—	6.1
14⅞	1¼	Transworld Corp $5	896p	–16	20c	—	1.4
27⅛	12⅝	TRINOVA Corp.	14⅛	–⅛	h$1.00	—	4.2
24¾	12⅝	USX $1	16¾	–⅛	$1.20	—	4.5
19⅝	12¾	Union Carbide $1	12¼	–¼	$1.50	—	7.2
37⅞	21¼	Utd. Technologies	21¼xd	–½	$1.40	—	3.9
38⅛	26⅛	US West	30¼	–⅛	$3.28	—	6.5
30½	17⅛	Waste Management $1	20⅞	–1⅛	—	—	—
£31⅛	£14½	Whirlpool $1.0	£14½	–¼	—	—	—
37⅛	20⅛	Woolworth $3½	20⅞	.....	$1.32	—	3.9

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Cont

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY AND STORES—Cont.

ELECTRICALS

ENGINEERING

ENGINEERING—Continued

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

INDUSTRIALS—Continued

INSURANCES

LONDON SHARE SERVICE

INSURANCES—Continued

1987 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
*£11¼	733	Prudential	763	–27	†29.0	—	5.2	—
598	395	Refuge 5p	400	–8	15.75	—	5.4	—
595	345	Royal	375	–38	†h15.5	—	5.7	—
110	87	Salure Ins. Invs.	87	–10	—	—	—	—
*345	188	Sedgwick Group 10p	209	–11	12.0	1.7	7.9	8.9
339	195	Steel Burrill J.10p	195	–21	†9.0	2.0	6.3	10.9
668	403	Stewart Wr. 20p	628	.....	♦13.0	2.0	2.9	21.9
612	377	Sturge Hldgs 20p	415	–28	†t6.0	2.5	2.0	27.2
£12⅞	645	Sun Alliance	870xd	–15	†23.5	—	3.7	—
£13	905	Sun Life 5p	918	–135	†28.5	—	4.3	—
£69⅛	£39	♦Taisho M EDR	£40⅛	–1⅛	Q10%	—	1.0	—
£22¼	£14⅝	Torchmark $1.00	£16⅛	–¼	Q$1.00	—	3.8	—
410	235	Trade Indemnity	365	–15	†4.3	—	1.6	—
£34	£21⅞	Travelers $1.25	£24⅞	+⅛	$2.28	—	5.7	—
£30¾	£18⅝	USF & G Corp $2.50	£20¼	–⅛	Q$2.48	—	7.5	—
£33¾	£16½	USLIFE Corp. $1.0	£19½	.....	Q$1.20	3.2	3.8	4.3
738	555	♦Utd Friendly B 10p	670	–35	21.0	—	4.3	—
464	271	Willis Faber 12½p	283	–26	†10.75	2.4	5.2	10.8
128	41	Windsor Secs. 10p	85	–13	†0.7	1.5	1.1	—

LEISURE

1987 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
35½	11½	♦A & M Group 10p	17	–1	—	—	—	—
242	98	Airtours 10p	105	–53	R5.4	2.5	7.2	7.6
*549	302	Anglia TV	384	–31	†q11.25	3.3	4.0	10.7
308	78	Arley	225	.....	—	—	—	—
194	108	♦Aspinall Hldgs. 10p	159	–6	♦6.0	1.2	5.2	21.8
141	63	♦Avesco 1p	77	–15	0.5	6.7	0.9	21.8
72	40	♦BCE Hldgs 5p	54	–7	Ld1.0	♦	2.5	♦
300	132	Barr & W.A.T. 'A'	245	.....	†8.0	1.4	4.5	20.0
58	30	Good Media	30	.....	—	—	—	—
235	165	Boosey & Hawkes	228	–10	—	—	—	—
83	38	♦Border T.V.	49	–7	1.4	♦	3.9	♦
*439	43½	Brent Walker 10p	266	–57	†q8.5	2.2	5.2	12.7

TRADITIONAL OPTIONS

3-month call rates

Industrials	p		
Allied-Lyons	40	NEI	13
Amstrad	19	Nat West Bk	65
BAT	62	P & O Dfd	65
BOC Grp	50	Plessey	20
BSR	17	Polly Peck	34
BTR	36	Racal Elect	32
Babcock	32	RHM	35
Barclays	52	Rank Org Ord	70
Beecham	52	Reed Intnl	50
Blue Circle	50	STC	30
Boots	30	Sears	16
Bowaters	50	TI	37
Brit Aerospace	50	TSB	12
Brit. Telecom	28	Tesco	18
Burton Ord	32	Thorn EMI	65
Cadburys	25	Trust Houses	25
Charter Cons.	45	T&N	26
Comm Union	34	Unilever	62
Courtaulds	[illegible]	Vickers	20
FNFC	32	Wellcome	42
Gen Accident	95	**Property**	
GEC	22	Brit Land	30
Glaxo	200	Land Securities	50
Grand Met	50	MEPC	48
GUS 'A'	125	Peachey	40
Guardian	95	**Oils**	
GKN	38	Brit Petroleum	32
Hanson Tst.	17	Britoil	30
Hawker Sidd	58	Burmah Oil	52
ICI	125	Charterhall	10
Jaguar	32	Premier	11
Ladbroke	45	Shell	125
Legal & Gen	52	Tricentrol	11
Lex Service	45	Ultramar	26
Lloyds Bank	35	**Mines**	
Lucas Inds	75	Cons Gold	125
Marks & Spencer	22	Lonrho	28
Midland Bk	45	Rio T Zinc	100
Morgan Grenfell	55		

A selection of Options traded is given on the London Stock Exchange Report Page.

LONDON STOCK EXCHANGE

Account Dealing Dates			
*First Dealings	Option Declarations	Last Dealings	Account Day
Sept 28	Oct 8	Oct 9	Oct 19
Oct 12	Oct 22	Oct 23	Nov 2
Oct 26	Nov 5	Nov 6	Nov 16

*New time dealings may take place from 9.00am two business days earlier.

Equity sector continues to slide while Government bonds again attract good demand

Heavy falls in the Far Eastern markets, later reflected in a renewed slide on Wall Street in early trading, set the stage yesterday for another savage setback in London's equity sector.

On the eve of the anniversary of Big Bang Day, the market was obliged to say farewell to the remaining shreds of the 31 per cent gain for 1987 shown by the FT-SE Index at its mid-July peak of 2443.4.

Once again, it was a volatile session with share prices rallying at the end of the day when the UK Treasury confirmed that it was considering representations from the institutional underwriters of the British Petroleum share issue.

Government bonds continued to move up strongly in a "flight to quality" by investors distressed by the 26.8 per cent fall in share prices over the past six trading days. Long Gilts closed with gains stretching to 2½ points on good domestic and overseas demand.

Equities opened with substantial falls as marketmakers and professional traders sought to protect themselves against the implications of the heavy fall with which the Hong Kong market returned to trading after its suspension.

The UK market remained on the downside for the rest of the day, although rumours that the BP issue might yet be postponed brought several attempted rallies. BP shares fell heavily again, and the closing price of 266p left considerable exposure at the underwriting firms which paid 330p just before the market collapsed.

At the close, a fall of 111.1 put the FT-SE 100 Index at 1684.1. On the last trading day of 1986, the FT-SE closed at 1679 after edging up from the 1660 area over the Christmas period.

At its worst level yesterday, the index was down 157 points as private investors sold stock into a market largely emptied of buyers. The major institutions remained unwilling to enter the equity sector until the global marketplace settles down.

The firmness in the pound which helped maintain the strength of the bond market, merely increased the worries hanging over the major blue chip exporting shares.

Widespread rumours that UK base rates might be cut again proved unfounded, but discouraged bank shares, which were already unsettled by the prospect of involvement in losses by stock market customers.

The late rally in the market encouraged some trading professionals who remain confident in the market fundamentals. "I would like to be a buyer at these levels", said one trader, adding hastily, "but it is impossible until there is some action over the US deficit".

The slump on far eastern markets, although widely predicted by the media, was worse than expected and proved extremely damaging to financial markets in London.

The big-four banks were on the retreat from the outsetwith NatWest finally down 67 at 543p, after 533p. Standard Chartered, where dealers began to get uneasy about the far eastern share stakes in the company, plummeted 50 more to 493p. Hong Kong & Shanghai Bank were extremely weak during after hours trading when the shares fell away to close 26 d own at 44p - a 21 per cent discount to the closing level in Hong Kong. Merchant banks moved lower across a broad front. Morgan Grenfell were upset by receding bid hopes and worries over securities trading and dropped to 270p before rallying strongly late in the day to close a net 59 off at 290p. J. Rothschild Holdings initially fell back to 115p but later rallied to close 21 off at 133p as broking house Cazenove offered 130p a share for up to 20m shares in the company.

Insurances suffered another major setback amid growing fears over the recent hurricane and floods. Commercial Union, which held up well last week in the aftermath of the disasters, came under heavy pressure, closing 33 off at 323p, while Royals dropped 38 to 375p. In brokers Dewey Warren, the Robert Holmes a Court vehicle for expansion in UK financial markets, slumped 41 to 159p.

Fears that President Reagan would be forced to increase taxes, opting to increase excise duties rather than raise personal levels of taxation, put leading Brewery groups with US interests under fresh pressure. Losses were well spread, and Allied-Lyons closed 23 down at 318p while Guinness fell 16 to 270p and Whitbread "A" 15 to 268p. Bass gave up 28 at 792p. Closure of Scottish & Newcastle's cash alternative offer of 750p per share, the share exchange terms remain open, left Matthew Brown 66 lower at 663p; Scottish & Newcastle ended 12 cheaper at 203p. Greenall Whitley dipped 22 further to 181p but Irish Distillers gave the sector one bright feature, rising 25 to 220p on share stake announcements. F.I.I.Fyffes has acquired a 5.3 per cent shareholding and Development Capital Corporation now holds a 14.7 per cent interest.

Leading Buildings gave fresh ground in the face of persistent selling and the absence of buying. However, the mood appeared to change late in the session and prices moved away from the day's lowest levels. Blue Circle, down to 289p at one stage, eventually settled 46 lower at 298p. Redland finished 46 down at 366p, after 362p. Tarmac sustained a fresh fall of 34 before closing 22 lower on balance at 208p. Recent takeover favourites such as Barratt Developments and Costain suffered, the former falling 30 to 150p and the latter shedding 58 to 218p. John Laing gave up 55 at 248p and John Mowlem 62 at 313p.

ICI, along with other international stocks, remained under pressure, the price falling to £10¾ a fall of ¾ on the day. Laporte fell a further 34 to 385p ans Yorkshire Chemicals dipped 50 to 241p.

Stores suffered along with other sectors. Marks and Spencer, scheduled to announce interim figures on Wednesday-County NatWest are forecasting pre-tax profits of £178m and Wood Mackenzie are going for £175m - settled 9½ down at 202½p. Underwoods lost 14 to 145p after the static profits.

Worries that Li Ka-Shing may be forced into selling part of his near 5 per cent stake in Cable & Wireless and that the proposed re-structuring of the company's 80 per cent held Hong Kong Telephone and Cable & Wireless HK could run into problems triggered another severe sell off in Cable & Wireless, which lost 33 to 280p.

GEC, where Ministry of Defence police raided the company's Marconi offices in Portsmouth on Friday, slumped 10 to 183p. STC dropped 15 to 228p; Northern Telecom is under an obligation to reduce its stake in STC to 24 per cent.

Leading Engineers recorded hefty losses, but trading conditions were extremely thin. GKN dipped 47 to 260p and Hawker, although above the worst, closed 34 off at 392p. Secondary issues also finished the day with widespread falls with some of the recent high-fliers such as Thomas Robinson,378p, and VSEL Consortium, 470p, down nearly 100 apiece. Mckechnie, 13 lower at 312p held up reasonably well following satisfactory preliminary figures.

Foods were relatively resilient.Losses for the most part were confined to single figures with Cadbury Schweppes settling 7 off at 217p and United Biscuits closing 6 lower at 250p. Tate and Lyle, however, gave up 37 at 654p, while Booker, in an unwilling market, dropped 48 to 310p. Hillsdown fell 23 to 250p and Unigate lost 22 at 275p.

Hotels went lower with Grand Metropolitan falling 23 to 408p and Ladbroke losing 39 at 326p. Trusthouse Forte gave up 214at 197p.

International stocks came under renewed selling pressure, with Pharmaceutical issues well to the fore in the renewed slide. Wellcome slumped 59 to 318p in a low volume of trade, while Fisons gave up 31 to 249p. Glaxo reacted afresh to close ½ cheaper at £10¾. Hanson continued to trade actively, closing 5 lower at 124p in a volume of some 21m shares. Elsewhere, US favourite Reuters stood out with a fall of 74 at 468p. Losses of around 60 and sometimes more were marked against Pearson, 685p, Avon Rubber, 673p, and English China Clays, 370p. Bentsen Clark, in which AAF Investment Corporation announced that it has increased its stake to 23.75 per cent, closed 31 lower at 315p. Dealings resumed in Arthur Wood (Longport) at 115p compared with the suspension price of 245p folling the announcement that negotiations which might have led to a change in effective control of the company have been terminated without any result.

In the Leisure sector, Airtours slumped 58 to 105p as the board slashed its profits estimate for the year to the end of September '87 from £3.25m to £2m. Really Useful were sold ahead of today's annual results and closed 60 lower at 505p.

Annual profits much better than analysts' forecasts coupled with a 23 per cent hike in the dividend payment failed to steady Lucas Industries or the Motor sector in general. Lucas tumbled 28 more to 499p and Jaguar, which were also beset by currency considerations, dropped further to establish a low for the year of 327p before settling 62 down on the day at 336p. Commercial Vehicle manufacturer ERF fell 33 to 205p while Kwik-Fit retreated 26 to 154p and Dowty 16 to 185p. Distributors were also hit hard, H.& J.Quick losing 75 to 238p and Appleyard 73 to 295p.

Advertising Agencies scampered lower under the lead of WPP, 125 worse off at 455p, and Yellowhammer, down 50 at 200p. Saatchi & Saatchi finished 42 cheaper at 345p, a 1987 low of 341p. Heavy falls were also sustained by numerous Paper/Printing and Newspaper issues.

Sellers continued to hold sway in the Property sector where prices gave further substantial ground before steadying late in the session. Losses again stretched well into double figures with Land Securities falling a further 18 to 430p and MEPC losing 17 at 423p. Peachey were again on offer and fell 45 to 330p while British Land dipped 12 to 228p and Slough Estates shed 15 to 215p. Hammerson A, a recent takeover favourite, lost 37 at 505p.

Textiles failed to escape the severe setabck. Courtaulds, which announced the proposed acquisition of Porter Paint, a leading US paint company based in Louisville, Kentucky, for some $140m, closed 40 lower at 348p. Bat Industries followed the reaction in other international stocks, closing 33 off at 450p, while Rothmans, a recent speculative favourite, were hard hit and finished 54 cheaper at 317p.

New low points for the year appeared with increasing frequency among miscellaneous Financials. Fund management groups suffered with Henderson Administration diving 300 to 900p, Britannia Arrow losing 12 to 128p and M & G 58 to 294p. Australian market influences upset Tyndall, down 55 at 195p, while MAI reacted 53 to 490p. British & Commonwealth slipped 34 further to 321p and AC Holdings 50 to 600p, but Smith New Court rallied 18 to 228p.

The speculation surrounding the possible postponement of the BP issue had a minimal effect on other oil and gas shares which were hit by the general market setback and another poor performance by crude oil prices. Investors paid little heed to an analysis of prospects for Overseas Traders.

Traded option contracts totalled 47,327, made up of 24,410 calls and 22,917 puts. BP attracted 1,649 calls and 2,181 puts, sentiment clouded by highly sensitive proposed BP share offer. Hanson Trust calls were in demand with some 2,856 transacted against only 725 puts.

Traditional Options

- First dealings Oct 5
- Last dealings Oct 16
- Last declarations Jan 7
- For Settlement Jan 18

For rate indications see end of London Share Service

Stocks dealt in for the call included Greenwich Resources, Tranwood, Dale Electric, Cable and Wireless, Barratt Developments, Abaco, Ferranti, Rolls-Royce, TSB, Astra Trust, Low and Bonar, Norfolk Capital, Blacks Leisure, BBA, GKN, Hanson Trust, Midland Bank, Southend Stadium, Dares Estates, Dinkie Heel, Elswick, BT and Britoil. Puts were arranged in Rolls-Royce and Jaguar, but no double options were reported.

FINANCIAL TIMES STOCK INDICES

	Oct. 26	Oct. 23	Oct. 22	Oct. 21	Oct. 20	Year ago	1987 High	1987 Low	Since Compilation High	Since Compilation Low
Government Secs	89.68	87.50	86.06	85.47	85.21	82.37	93.32 (8/5)	83.73 (19/10)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	93.42	91.96	91.90	91.75	91.11	88.76	99.12 (15/6)	90.23 (2/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1307.1	1396.8	1455.3	1527.3	1499.2	1257.8	1,926.2 (16/7)	1,307.1 (26/10)	1,926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	350.5	386.4	399.0	396.8	427.6	269.6	497.5 (4/8)	288.2 (19/2)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	4.67	4.37	4.22	3.97	4.21	4.45				
Earnings Yld.%(full)	11.58	10.76	10.41	9.72	10.33	10.27				
P/E Ratio (net) (*)	10.66	11.40	11.78	12.58	11.84	11.93				
SEAQ Bargains (5 pm)	57,989	74,661	86,290	103,680	78,969	—				
Equity Turnover (£m)	—	3021.66	2608.91	2838.13	2814.33	985.81				
Equity Bargains	—	99,151	114,974	109,235	88,974	26,546				
Shares Traded (ml)	—	863.4	919.1	834.4	952.0	271.1				

S.E. ACTIVITY

Indices	Oct. 23	Oct. 22
Gilt Edged Bargains	163.6	140.5
Equity Bargains	642.5	745.0
Equity Value	6187.6	5435.0
5-Day Average		
Gilt Edged Bargains	140.5	132.0
Equity Bargains	596.2	519.4
Equity Value	5612.5	4528.2

♥ Opening	10 a.m.	11 a.m.	Noon	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1312.9	1314.6	1281.7	1293.9	1268.2	1273.3	1275.7	1281.6

Day's High 1320.0 Day's Low 1265.1 Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1567 * Nil=10.51

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

NEW HIGHS AND LOWS FOR 1987

NEW HIGHS (8)

BRITISH FUNDS (2), Transport 3pc 1978-88, Treas 2pc I.L. '90. INT BANK & O'SEAS GOVT STLG ISS (2), Sweden 13½pcLn 2010, Utd. Mexican States 16½pc, LOANS (2), N'wide Anglia 10pc 1.8.88, Do 10⅞pc 22.8.88, TRUSTS (2), Scot. Nat. Stepped Pf., Do Zero Div Pf.

NEW LOWS (299)

AMERICANS (20), CANADIANS (6), BANKS (12), BREWERS (3), BUILDINGS (4), CHEMICALS (7), STORES (10), ELECTRICALS (21), ENGINEERING (9), FOODS (8), INDUSTRIALS (99), INSURANCE (10), LEISURE (3), NEWSPAPERS (3), PAPERS (5), PROPERTY (18), SHIPPING (3), TEXTILES (3), TRUSTS (73), OILS (7), OVERSEAS TRADERS (5), MINES (26), THIRD MARKET (4).

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing price	Day's change
ASDA-MFI	6,300	163	−2
Allied Lyons	4,700	318	−23
Amstrad	2,400	133	−2
Argyll Group	3,000	384	−3
Assoc. Brit. Foods	290	291	−8
BAA	3,500	107	−8
BAT	54,400	450	−33
BET	1,000	209	−20
BICC	544	320	−24
BOC	1,800	338	−28
BPB Inds	588	246	−14
BPCC	1,500	222	−18
BTR	4,300	247	−16
Barclays	3,000	443	−35
Bass	1,200	792	−28
Beecham	4,700	393	−9
Blue Arrow	5,500	90	−21
Blue Circle	2,300	298	−46
Boots	4,700	222	−9
Brit. Airways	4,500	144	−14
Brit. Aero	2,000	374	−25
Brit. & Comm.	1,106	321	−34
British Gas	8,500	142	−5
Britoil	2,200	223	−22
BP	20,000	266	−21
Brit. Telecom	12,000	223	−4
Bunzl	581	160	−12
Burton	2,800	217	−16
Cable & Wire	8,800	280	−33
Cadbury Schwps	4,200	217	−7
Coats Viyella	1,200	255	−39
Comm. Union	1,600	323	−33
Cons. Gold	1,000	865	−55
Cookson	929	541	−42
Courtaulds	2,000	348	−40
Dee Corpn	3,300	170	−12
Dixons Group	4,000	247	−23
English China Clays	460	370	−60
Fisons	1,800	249	−31
Gen. Accident	566	775	−45
Gen. Elect	14,000	183	−10
Glaxo	3,700	£11½	−½
Globe Investment	2,200	157	−11½
Granada	773	273	−9
Grand Met	2,000	408	−23
GUS "A"	395	£10¾xd	−¾
Guardian R.E.	157	805	−50
GKN	901	260	−47
Guinness	3,800	270	−16
Hammerson	134	505xd	−37
Hanson Trust	22,000	124	−5
Hawker Sidd	823	392	−34
Hillsdown Hldgs	4,100	250	−23
ICI	4,200	£10¾	−¾

Stock	Volume 000's	Closing price	Day's change
Jaguar	2,300	336	−62
Ladbroke	1,250	326	−39
Land Securities	2,400	430	−18
Legal & Gen.	373	249	−14
Lloyds Bank	2,000	280	−13
LASMO	425	281	−31
Lonrho	2,000	210	−29
Lucas	912	499	−28
MEPC	778	423	−17
Marks & Spencer	6,500	202½	−9½
Midland Bank	2,100	355	−48
Natwest Bank	3,400	543	−67
Next	887	275	−13
Pearson	1,250	685	−75
P & O	1,400	460	−10
Pilkington Bros	4,000	215	−21
Plessey	28,000	150	−17
Prudential	451	763	−27
Racal	3,600	218	−5
Rank Org	212	530	−20
RHM	332	276	−20
Reckitt & Col	524	774	−53
Redland	794	366	−46
Reed Intl	617	381	−16
Reuters	1,400	468	−74
RTZ	2,100	298	−50
Rolls-Royce	7,500	127xd	−17
Rothmans Intl	1,900	317	−54
Rowntree	739	400	−10
Ryl Bank Scotland	666	305	−73
Royal Insurance	1,300	375	−38
STC	1,500	228	−4
Sainsbury	1,200	228	−4
Scott & Newcastle	1,100	203	−12
Sears	5,600	118½	−9½
Sedgwick	1,600	309	−11
Shell Trans	2,500	£10⅞	−½
Smith & Nephew	2,200	129	−13
Standard Chart	277	493	−50
Storehouse	2,400	275	−33
Sun Alliance	636	870xd	−15
TSB	5,200	115	−5
Tarmac	2,000	208	−22
Tesco	3,400	162	−2
Thorn EMI	1,600	478	−47
Trafalgar House	1,400	291	−31
T'house Forte	4,600	197	−14
Ultramar	1,200	212	−27
Unilever	2,000	486	−29
United Biscuits	741	250	−6
Wellcome	1,000	318	−59
Whitbread "A"	1,500	268	−15
Woolworth	2,800	289	−23

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	112	0	0
Corporations, Dominion and Foreign Bonds	32	1	22
Industrials	33	1,389	164
Financial and Properties	11	532	87
Oils	7	83	24
Plantations	2	6	6
Mines	7	130	58
Others	24	198	49
Totals	228	2,339	410

FT-ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Mon Oct 26 1987 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (27%)	Est. P/E Ratio (Net)	xd adj. 1987 to date	Fri Oct 23 Index No.	Thu Oct 22 Index No.	Wed Oct 21 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (214)	701.81	−9.3	9.98	4.04	12.59	18.27	773.99	798.31	854.68	643.50
2	Building Materials (30)	877.67	−9.1	10.59	4.19	11.78	22.91	965.27	1026.09	1094.94	775.46
3	Contracting, Construction (33)	1271.09	−12.9	9.81	3.96	13.62	29.46	1459.32	1531.76	1597.74	1080.16
4	Electricals (14)	1868.95	−8.0	9.69	4.66	13.47	54.41	2030.66	2087.90	2169.45	1723.64
5	Electronics (34)	1595.55	−6.6	10.13	3.16	12.87	35.33	1708.87	1704.90	1839.83	1393.86
6	Mechanical Engineering (60)	367.74	−10.6	9.93	4.36	12.67	11.81	411.41	421.06	453.65	355.72
8	Metals and Metal Forming (7)	385.82	−12.2	10.21	4.28	11.93	9.11	439.42	452.26	479.75	328.10
9	Motors (14)	260.03	−11.2	11.19	4.47	10.46	5.86	292.71	303.48	331.13	253.63
10	Other Industrial Materials (22)	1175.24	−8.7	8.87	4.41	13.41	36.48	1287.17	1340.47	1442.07	1100.79
21	CONSUMER GROUP (183)	993.88	−6.2	8.30	3.54	15.32	18.71	1059.58	1081.15	1140.36	913.04
22	Brewers and Distillers (22)	929.55	−5.3	10.83	3.98	11.67	17.52	981.66	1018.10	1057.79	919.28
25	Food Manufacturing (23)	772.91	−6.0	9.53	4.02	13.54	16.66	822.06	834.83	885.12	699.33
26	Food Retailing (16)	2010.78	−3.4	7.32	2.94	18.19	39.67	2081.06	2059.34	2150.06	1882.06
27	Health and Household Products (10)	1702.77	−7.0	6.60	2.61	17.52	16.41	1830.31	1870.93	1972.42	1477.98
29	Leisure (30)	1064.47	−8.5	7.53	4.27	16.59	28.16	1163.57	1191.86	1268.04	914.85
31	Packaging & Paper (16)	510.64	−7.0	8.09	3.48	16.27	11.13	549.31	568.39	614.25	455.86
32	Publishing & Printing (15)	3311.18	−6.2	6.11	4.28	20.99	67.89	3534.12	3637.95	3903.86	2434.74
34	Stores (35)	841.67	−6.0	8.39	3.49	16.15	16.95	895.84	910.83	954.91	856.19
35	Textiles (16)	607.74	−10.1	10.37	3.80	11.16	12.57	676.21	705.01	763.68	518.55
40	OTHER GROUPS (86)	818.85	−6.9	10.63	4.34	11.72	20.82	879.20	907.70	968.40	767.86
41	Agencies (17)	1008.32	−13.1	6.21	2.25	21.14	16.79	1160.51	1217.99	1248.15	0.0
42	Chemicals (21)	1021.69	−7.8	9.65	4.50	12.67	33.10	1107.94	1151.89	1244.52	974.87
43	Conglomerates (13)	1064.70	−6.6	9.65	4.39	11.85	22.33	1140.31	1181.15	1243.76	0.0
45	Shipping and Transport (11)	1708.70	−5.7	9.92	4.82	13.24	51.44	1812.25	1923.87	2009.44	1494.24
47	Telephone Networks (2)	849.74	−3.4	11.93	4.76	11.18	18.98	879.90	885.51	960.87	755.40
48	Miscellaneous (22)	1159.63	−8.9	13.05	4.08	9.14	32.87	1273.02	1319.14	1412.98	1069.98
49	INDUSTRIAL GROUP (483)	879.68	−7.2	9.36	3.88	13.46	19.71	947.75	972.98	1033.49	812.99
51	Oil & Gas (17)	1693.57	−6.0	10.12	5.79	12.19	65.73	1802.30	1779.42	1867.38	1340.58
59	500 SHARE INDEX (500)	948.70	−7.0	9.47	4.16	13.25	23.68	1020.24	1041.49	1104.37	857.72
61	FINANCIAL GROUP (120)	626.45	−7.5	—	4.91	—	20.08	677.34	705.10	733.82	600.12
62	Banks (8)	625.68	−8.1	21.33	6.22	6.20	25.98	680.75	698.64	724.85	646.66
65	Insurance (Life) (9)	883.32	−4.2	—	5.04	—	32.56	922.12	973.48	1036.83	805.74
66	Insurance (Composite) (7)	486.45	−6.6	—	5.66	—	17.20	520.98	537.85	552.42	480.75
67	Insurance (Brokers) (8)	914.99	−7.5	12.14	6.26	10.54	38.19	989.55	1033.41	1058.39	1262.81
68	Merchant Banks (12)	387.49	−5.8	—	3.41	—	8.69	411.54	431.04	444.75	341.72
69	Property (48)	943.19	−8.2	5.16	3.16	24.97	16.02	1027.00	1059.39	1119.02	782.38
70	Other Financial (28)	402.14	−11.4	8.87	3.98	14.36	10.39	453.71	482.40	501.94	354.11
71	Investment Trusts (88)	884.39	−6.8	—	2.80	—	15.17	948.95	971.64	1014.24	803.68
81	Mining Finance (2)	393.61	−10.9	11.55	4.34	9.75	10.41	441.54	479.75	492.30	324.79
91	Overseas Traders (10)	847.18	−10.1	10.87	5.77	10.78	33.95	942.17	1002.35	1089.10	732.35
99	ALL-SHARE INDEX (720)	863.73	−7.2	—	4.24	—	22.36	930.33	953.46	1007.47	787.28

	Index No.	Day's Change	Day's High	Day's Low	Oct 23	Oct 22	Oct 21	Oct 20	Oct 19	Year ago
FT-SE 100 SHARE INDEX ‡	1684.1	−111.1	1693.4	1638.1	1795.2	1833.2	1943.8	1801.6	2052.3	1586.2

FIXED INTEREST

	PRICE INDICES	Mon Oct 26	Day's change %	Fri Oct 23	xd adj. today	xd adj. 1987 to date
	British Government					
1	5 years	122.98	+0.81	121.99	—	9.40
2	5-15 years	139.41	+1.99	136.69	—	12.01
3	Over 15 years	148.57	+2.30	145.23	—	12.02
4	Irredeemables	166.32	+6.53	160.39	4.54	13.35
5	All stocks	136.49	+1.70	134.24	0.04	11.23
	Index-Linked					
6	5 years	121.21	+0.77	120.29	—	2.18
7	Over 5 years	109.82	+2.45	107.20	—	2.89
8	All stocks	110.61	+2.29	108.13	—	2.82
9	Debentures & Loans	117.93	+2.88	115.90	1.31	9.39
10	Preference	83.17	+0.81	82.50	—	4.95

	AVERAGE GROSS REDEMPTION YIELDS		Mon Oct 26	Fri Oct 23	Year ago (approx.)
	British Government				
1	Low	5 years	8.86	9.21	9.84
2	Coupons	15 years	9.25	9.58	10.40
3		25 years	9.07	9.40	10.40
4	Medium	5 years	9.42	9.77	11.22
5	Coupons	15 years	9.47	9.77	10.78
6		25 years	9.24	9.61	10.42
7	High	5 years	9.50	9.84	11.30
8	Coupons	15 years	9.66	9.95	10.98
9		25 years	9.31	9.64	10.55
10	Irredeemables†		9.07	9.55	10.15
	Index-Linked				
11	Inflation rate 5%	5yrs	3.34	3.59	4.37
12	Inflation rate 5%	Over 5 yrs	4.23	4.39	3.82
13	Inflation rate 10%	5 yrs	3.48	3.72	2.95
14	Inflation rate 10%	Over 5 yrs	4.26	4.42	3.65
15	Debs &	5 years	11.23	11.30	11.58
16	Loans	15 years	10.83	11.22	11.57
17		25 years	10.83	11.22	11.57
18	Preference†		10.99	11.04	11.61

‡Opening index 1685.5; 10 am 1685.2; 11 am 1655.3; Noon 1676.2; 1 pm 1640.8; 2 pm 1649.0; 3 pm 1648.6; 3.30 pm 1651.6; 4 pm 1661.3

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 32p.
NAME CHANGES: BPCC is now Maxwell Communications Corporation and NMC Investments is now NMC Group.

LONDON TRADED OPTIONS

Option		Calls Jan.	Calls Apr.	Calls Jly.	Puts Jan.	Puts Apr.	Puts Jly.
Allied Lyons (*313)	330	28	37	53	35	40	45
	360	18	22	35	58	65	70
	390	8	13	23	85	90	95
Brit. Airways (*140)	160	20	35	55	30	40	55
	180	10	28	33	48	45	50
	200	6	13	22	68	75	75
Brit. & Comm. (*315)	360	25	45	50	60	75	85
	390	15	30	35	95	105	105
	420	4	23	20	115	120	130
B.P. (*264)	280	—	35	50	—	55	65
	285	23	—	—	47	—	—
	300	16	28	30	57	65	72
Bass (*784)	800	65	85	105	80	100	110
	850	40	60	85	100	120	130
	900	20	40	70	150	155	160
Cons. Gold (*850)	900	140	180	230	120	180	210
	950	110	160	210	160	210	260
	1000	95	140	190	210	240	290
Courtaulds (*347)	390	25	35	45	65	70	75
	420	12	25	35	90	95	100
	460	6	15	25	125	125	125
Com. Union (*315)	300	55	—	—	30	—	—
	330	35	45	—	40	45	—
	360	28	30	45	70	70	75
	390	15	25	35	90	85	90
	420	8	18	28	110	110	110
	460	4	7	—	150	150	—
Cable & Wire (*325)	300	40	70	100	60	70	70
	330	25	60	60	85	110	110
	360	25	40	50	118	130	140
	390	20	35	35	140	160	170
British Gas (*130)	135	27	—	—	20	—	—
	140	—	28	35	—	25	32
	145	16	—	—	27	—	—
	155	10	—	—	33	—	—
G.E.C. (*170)	180	27	37	43	22	30	37
	200	17	28	37	35	43	45
	220	12	22	30	53	55	60
G.K.N. (*255)	300	28	40	50	60	75	85
	330	18	30	40	90	105	120
	360	13	20	28	120	135	150
Grand Met. (*403)	420	38	45	60	40	60	70
	460	23	35	48	73	90	100
	500	13	23	35	107	115	120
I.C.I. (*1060)	1150	200	140	190	140	160	180
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		Calls Nov.	Calls Feb.	Calls May	Puts Nov.	Puts Feb.	Puts May
LASMO (*270)	260	33	43	—	23	35	—
	280	25	35	—	40	50	—
	300	15	25	40	55	68	73
Pilkington (*307)	240	13	27	38	45	60	68
	260	10	15	25	60	70	75
	280	4	8	14	75	82	85
Plessey (*146)	160	15	25	35	30	35	40
	180	8	18	25	42	51	57
	200	4	13	20	60	68	75
Prudential (*750)	800	45	60	80	95	105	110
	850	25	45	60	130	140	150
	900	12	30	45	160	160	170
P. & O. (*455)	460	28	55	70	55	65	75
	500	27	40	65	86	90	100
	535	10	—	—	115	—	—
Racal (*211)	220	22	40	55	30	35	42
	240	15	30	43	52	60	65
	260	10	25	30	65	75	80
R.T.Z. (*280)	280	90	—	—	25	—	—
	300	70	—	—	35	—	—
	320	55	—	—	50	—	—
Vaal Reefs (*$114)	110	10	20	27	15	20	25
	120	7	15	22	23	28	30
	130	4	10	17	33	35	38
Tr. 11¾% 1991 (*107)	102	5⅛	5⅝	—	0⅛	0⅜	—
	104	3⅛	3⅝	—	0⅛	0⅞	—
	106	1⅛	1⅞	—	0⅝	1⅝	—
	108	0⅛	1	—	1⅝	2⅞	—
Tr. 12% 1995 (*113)	110	—	—	4⅞	—	—	3⅛
	112	—	—	3⅞	—	—	4⅛
Tr. 11¾% 03/07 (*119)	114	4⅞	6⅛	6⅞	0⅞	2	2⅞
	116	3⅛	5⅛	6⅛	1	2⅞	3⅛
	118	2⅛	4⅛	—	1⅛	3⅛	—
	120	1⅛	3⅛	—	2⅛	4⅛	—

Option		Calls Dec	Calls Mar	Calls June	Puts Dec	Puts Mar	Puts June
Amstrad (*126)	130	25	33	45	25	30	35
	140	20	27	38	30	35	40
	160	10	20	30	40	50	55
Barclays (*435)	460	40	60	75	45	55	70
	500	20	35	50	80	85	90
	550	10	25	35	120	125	125
Beecham (*380)	390	45	65	80	55	70	80
	420	22	50	65	75	90	100
	460	13	33	55	105	120	130
Boots (*221)	240	20	38	40	37	40	42
	260	15	22	30	50	52	57
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

October 26. Total Contracts 47,327. Calls 24,410. Puts 22,917. FT-SE Index Calls [illegible], Puts [illegible]. October 23 FT-SE Index Calls [illegible], Puts [illegible]. *Underlying security price.

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. Date	1987 High	1987 Low	Stock	Closing Price	+ or −	Net. Div.	Times Cov'd	Gross Yield	P.E. Ratio
§130	F.P.	20/11	170	115	Alba 10p	115	−15	13.8	2.2	4.5	11.7
§61	F.P.	—	96	61	♦Amer. Plat.Inv. $0.01	61	−2	R02.5c	4.6	2.5	8.6
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue Price £	Amount Paid	Latest Renunc. Date	1987 High	1987 Low	Stock	Closing Price £	+ or −
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

"RIGHTS" OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1987 High	1987 Low	Stock	Closing Price p	+ or −
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

WORLD STOCK MARKETS

AUSTRIA

October 23	Price Sch %	+ or −
Creditanstalt	2,110	+10
Goesser	3,050	−130
Interunfall	11,550	−50
Jungbunzlauer	8,220	+60
Laenderbank	388	−2
Perlmooser	682	−8
Steyr-Daimler	116	+3
Veitscher Mag	788	−12

BELGIUM/LUXEMBOURG

October 26	Price Frs.	+ or −
B.B.L.	2,500	−100
Banque Gen. De L.	14,500	—
Bank Int. A	14,000	—
Bekaert B	9,370	−130
Ciment CBR	5,150	−400
Cockerill	148	−2
Cobepa	4,890	−760
Delhaize	3,540	−390
EBES	4,300	−120

GERMANY

October 26	Price Dm.	+ or −
AEG	263	−27
Allianz AG	1,080 xr	−220
BASF	276.3	−15.7
Bayer	285	−20.3
Bayer-Hypo	365	−43
Bayer-Verein	370	−24
BHF-Bank	405	−20
BMW	498	−84
Brown Boveri	294	−20
Commerzbank	240	−12
Cont'l Gummi	260	−26
Daimler-Benz	847.5	−90.5
Degussa	405	−25
D'sche Babcock	173	−22
Deutsche Bank	525.5	−30.5
Dresdner Bank	282	−16
Feldmuehle Nobel	261	−23
Hochtief	475	−38
Hoechst	252	−20.5
Hoesch Werke	110	−9.5
Holzmann (P)	375	−5
Horten	207	−13
Hussel	460	−60

SPAIN

SWEDEN

ITALY

NETHERLANDS

NORWAY

DENMARK

FINLAND

FRANCE

SWITZERLAND

AUSTRALIA

AUSTRALIA (Continued)

HONG KONG

JAPAN

JAPAN (Continued)

SINGAPORE

SOUTH AFRICA

CANADA

TORONTO

Closing prices October 26

MONTREAL

Closing prices October 26

F—No voting rights or restricted voting rights.

Indices

NEW YORK

STANDARD AND POORS

N.Y.S.E. ALL COMMON

TORONTO

NEW YORK ACTIVE STOCKS

LONDON — Most Active Stocks
Monday, October 26, 1987

	Stocks Traded	Closing Price	Change on Day
Plessey	20.8m	150	−17
Hanson Tr.	22.0m	124	−5
BP	20.8m	288	−21
Gen Elect	14.8m	183	−10
Brit Telecom	12.8m	223	−4
Cble & Wire	8.3m	280	−33
Brit Gas	8.5m	142	−5
Rls Royce	7.5m	127xd	−17
Mrks & Spncr	6.5m	202½	−9½
ASDA-MFI	6.3m	163	−2

TOKYO — Most Active Stocks
Monday, October 26, 1987

	Stocks Traded	Closing Prices	Change on Day
Nippon Stl	53.57m	415	−15
Mitsubishi Heavy Ind.	45.61m	596	−52
Kawasaki Stl	31.98m	329	−13
Hitachi	17.90m	1,080	−70
Sumitomo Metal	15.60m	286	−21
Nippon Kokan	12.23m	313	−27
Fujitsu	11.32m	1,100	−70
Matsushita Elec Ind	11.24m	1,900	−90
NEC	10.79m	1,760	−130
Tokyu Corp	9.52m	1,030	unch

OVER-THE-COUNTER *Nasdaq national market, closing prices*

Continued from Page 49

LONDON Chief price changes
(In pence unless otherwise indicated)

RISES:

Trs. 13½pc 2004-08	£133⅝	+2$\frac{25}{32}$
Exch. 12pc 2013-17	£126⅝	+7

FALLS:

Airtours	105	−53
BAT Inds.	450	−33
Bl. Circle	298	−46
Cble & Wrls	280	−33
Comm. Union	323	−33
Costain	218	−56
D. Warren	150	−41
Engl. China Clays	370	−60
Fisons	249	−30
GKN	280	−47
Grand. Met	408	−23
Hillsdown	250	−23
ICI	£10⅝	−¾
Ladbroke	326	−30
Lnd Secs	430	−18
MEPC	423	−17
Midland Bk	355	−48
Morg. Grenf.	290	−59
Peachey	330	−45
Plessey	150	−17
Reuters B	468	−74
Rothmans	317	−54
Std. Chart.	493	−50
Storehouse	275	−33
T'house Forte	197	−14
Unigate	275	−22
Wellcome	318	−59

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
38½	22	AAR s	.50	2 1	15	393	24½	23½	23½	−1
32½	17½	AFG s	.16	.7	8	2197	25¾	23¾	23¾	−1⅝
27	10½	AGS s			11	1196	16½	13	13	−4
10½	6¾	AMCA				5	7¼	7¼	7¼	−¼
9⅜	3¼	AM Intl			32	1596	4	3½	3½	−⅜
65½	32	AMR			9	7477	34¼	d31	32	−4⅜
27½	24⅞	ANR pf	2.67	11.		1	25	25	25	
12¼	7⅛	ARX s			7	519	7⅜	d	6¾	7
73½	34⅜	ASA	2a	4.3		2497	47½	45	46⅝	−8¼
22⅜	10	AVX			12	722	10⅜	d	9½	9¾
67	40	AbtLab	1	2.3	16	4436	44⅜	43	43⅜	−3⅜
28	17½	AbitIbi g				444	17¼	d15¾	15¾	−2¼
16¾	9	AcmeC	.40	4.0	10	z246	10⅜	9¾	10	−⅝
10½	6⅛	AcmeE	.32b	4 0	28	68	8¼	8	8	−⅜
23⅞	16½	AdaEx	3.30e	20		565	17⅝	16½	16½	−2
19½	9	AdmMl s	.24	2 5	7	116	9½	9	9½	−⅛
35	13⅞	AdvSys			14	497	25½	21½	21½	−3½
24⅞	9¾	AMD				5479	10⅞	d	9½	9¾	−1⅝
56¾	32	AMD pf	3	9 4		95	35	d31⅛	31⅞	−1¾
11⅞	5¼	Adobe			554	5½	d	4⅞	4⅞	−1⅛
20½	15	Adob pf	1 84	11.		29	17¾	17½	17½	−½
21⅞	17	Adob pf	2.40	13		24	19⅜	19	19	−⅛
15	6¼	Advest	.12a	1.8	5	886	7	d	6⅛	6⅝
68¼	46	AetnLf	2.76	5.5	7	2281	52½	50⅛	50⅛	−2⅜
83½	30⅜	AflPb s	.32	.7	7	1409	47⅛	44	45	−5
26⅞	15	Ahmans	.88	5.2	7	5199	17⅞	16½	16⅞	−¾
5⅜	1¾	Aileen				255	2⅛	2	2	−⅛
53⅞	33¼	AirPrd	1	2.9	12	3167	34½	d32	34	−3⅜
36	13½	AirbFrt	.60	4 3	6	880	14¼	d13	14	−¼
16½	7⅜	Airgas n			16	317	11⅞	10	10	−1⅞
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 49

NYSE COMPOSITE CLOSING PRICES

Continued from Page 48

[illegible]

X Y Z

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Ch'ge
65	50	Xerox	3	5.9	11	4704	55	50½	51	−4
58¼	52½	Xerox pf5.45		10.		25	54	53¾	53¾	−¼
31½	19¾	XTRA	.64	2.8	19	1071	23	22½	23	−1⅞
28¼	19½	XTRA pf1.94		8.9		115	21¾	20½	21¾	+1¼
33⅞	16⅛	Yorkin			6	394	20¼	18½	18½	−3¼
7⅛	2¼	Zapata				842	3⅝	3⅛	3¼	−¾
37	14⅜	Zayre	.40	2.3	8	6687	19⅜	17¼	17½	−3⅜
16⅞	11⅛	Zemex	.40	3.7	7	56	11⅜	d10¾	10⅞	−½
33⅝	11½	ZenithE			40	5177	13⅜	d10	10	−3⅞
13½	3⅜	ZenLab				3838	4	3½	3⅝	−⅝
26½	14½	ZenNtl	.80	5.9	8	x342	14⅞	d13½	13⅝	−1⅞
20⅜	12¾	Zero	.36	2.8	13	301	13	d12⅞	13	−¼
30¾	15	Zumin s .68		3.7	12	385	19	17½	18½	−½
10⅝	7⅛	Zweig	.85e	7.8		1844	8⅞	8⅛	8⅛	−⅝

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and *dividend are shown for the new stock only. Unless otherwise* noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls - sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-divident or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in-full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

[illegible]

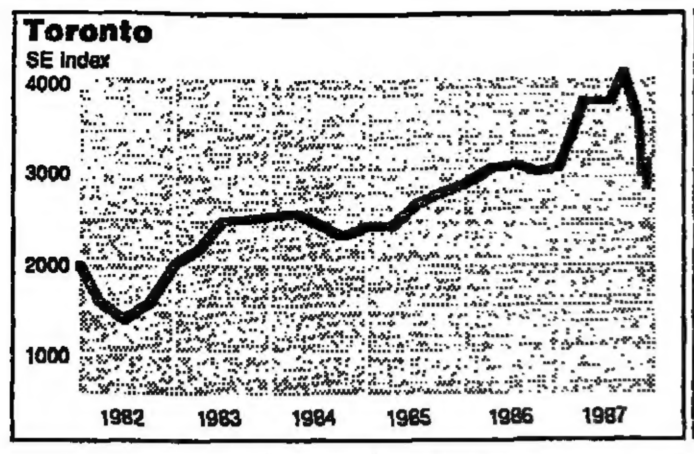
OVER-THE-COUNTER *Nasdaq national market, closing prices*

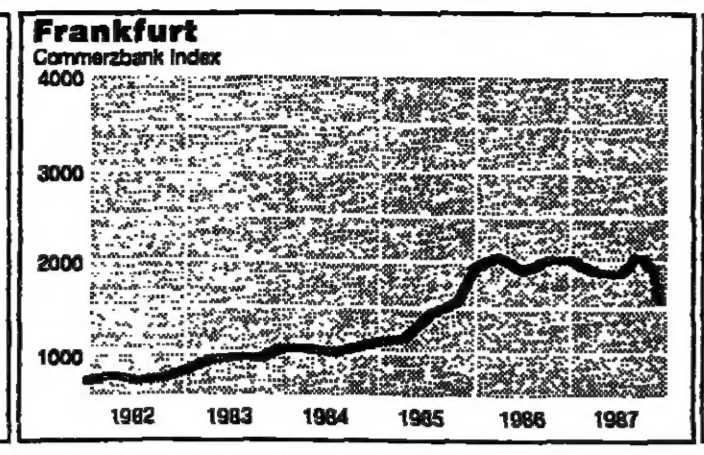
[illegible]

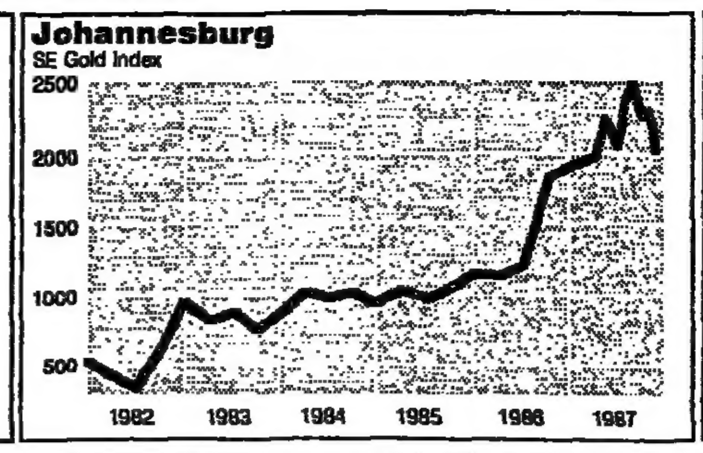
Continued on Page 47

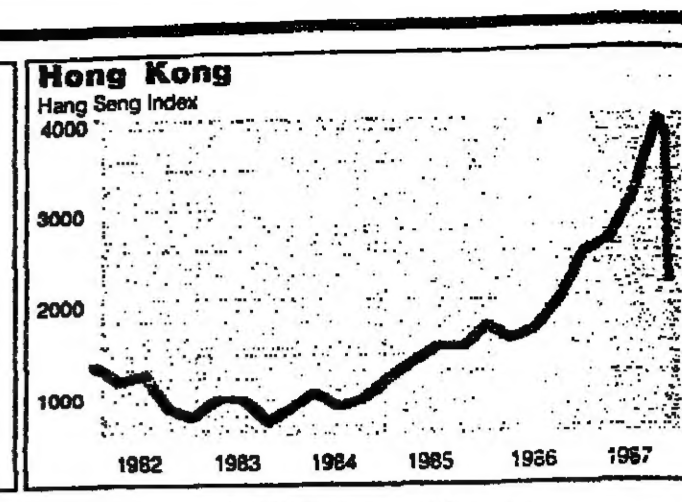
FINANCIAL TIMES

WORLD STOCK MARKETS









AMERICA

Knock-on from Far East stems hope of revival

WALL STREET

HAMMERED by steep falls in share prices abroad, Wall Street suffered a further steep sell-off in equities which seriously undermined investors' fragile hopes for stability, *writes Roderick Oram in New York.*

The dollar remained stable, however, thanks to some profit-taking by dealers against the yen and D-Mark. Bond prices enjoyed further gains of more than 1½ points.

Wall Street's mood turned grim long before the opening as traders, investors and market makers heard about plunging prices in Europe and the Far East.

"It was overseas markets which clobbered us this morning," said Ms Hildegard Zagorski, an equity market analyst with Prudential Bache Securities.

Stocks opened sharply lower in New York and fell rapidly. Despite finding some stability in late morning, the Dow Jones industrial average closed down 156.83 points at 1,793.93. It was the index's second worst loss in points terms, surpassed only by last Monday's 508 point collapse.

In percentage terms, the index fell 8 per cent yesterday, its fifth worst since the index was expanded to 30 stocks in 1928. Since the decline turned into a rout beginning last Monday morning, the index has fallen 20.2 per cent in six sessions.

The Standard & Poor's 500 index fell 20.55 to 227.67 and the New York Stock Exchange composite dropped 11.34 to 127.88.

Yesterday's bad start quickly undermined investors' confidence. "There is a very demoralised group of investors out there who were told over the weekend through the media and advertisements not to panic," said Mr Hugh Johnson of First Albany, a New York investment dealer. "But you can only warn or encourage people so long to hold on" before they succumb to the selling pressure and get out of equities.

Retail investors were particularly active sellers yesterday, he believed. "A lot of them had been buying late last week but turned sellers today."

Trading volume was very heavy even by the standards of a normal full day but it was compressed into a shorter session. Exchanges closed two hours early to try to clear their paperwork backlogs. The New York Stock Exchange traded 309m shares, its sixth heaviest day ever. Declining stocks outnumbered those advancing by a ratio of 13.5 to one.

Good third-quarter earnings reports continued to flow but they were largely ignored by the market. Before the rout started 10 days ago, analysts had expected healthy profit growth to bolster stock prices. But investor confidence has been so comprehensively damaged for now that it is very hard for a company reporting strong earnings to buck the market's downward trend.

In the oil sector, Exxon, down $3¾ to $41¼, and Occidental Petroleum, off $3⅞ to $24 both turned in higher profits. Among competitors, Mobil lost $2⅞ to $37, Chevron was down $5⅛ to $37½ and Amoco dropped $3 to $68.

Brokerage stocks came under intense scrutiny as Wall Street tried to discover which firms had been hardest hit by the market's collapse. L.F. Rothschild fell $1⅞ to $4⅝ amid rumours it was about to quit the municipal bonds business and that it had suffered in the downturn.

Despite a weaker dollar, credit markets opened strongly to build on gains overnight in Tokyo and London. Boosted by the poor showing of stocks, bond prices rose almost 2 points in New York. By late afternoon the Treasury's 8.75 per cent benchmark long bond was up 1⅛ of a point at 99 15/16 yielding 8.93 per cent.

Short-term interest rates continued to drop as investors parked their cash after liquidating their stock holdings. The bond equivalent yield on three-month Treasury bills fell some seven basis points to 5.33 per cent.

The Fed's large and early intervention with systems repurchases failed to stem the rise in the Fed Funds rate from an opening level of 6 15/16 per cent.

The Fed's large and early intervention with system repurchases failed to stem the rise in the Fed Funds rate from an opening level of 6 15/16 per cent to 7¼ per cent by early afternoon. Despite the Fed's efforts to supply as much liquidity as the markets need, the Funds rate at which banks lend reserves to each other was disconcertingly high.

CANADA

THE GLOBAL sell-off and the ripple effect of lower prices ricocheted around the trading floor of the Toronto Stock Exchange, taking prices sharply lower.

At the close, the TSE-300 composite index had plunged 232.90 to 2,846.49. Last week it ended a net 500 points lower despite record gains on Wednesday. All 14 sub-indices were broadly lower.

Golds, mines and metals were the biggest losers as Alcan Aluminum dropped C$2⅞ to C$28⅝, Noranda shed C$2 to C$20¼, Echo Bay Mines fell C$3⅞ to C$24, Hemlo lost C$1⅛ to C$18, Inco slumped C$2⅜ to C$17½ and International Corona declined C$5½ to C$49.

Alexander Nicoll examines the ominous pointers and problems behind a chain reaction

Bears chase tails around the globe

WORLD STOCK markets took another bashing yesterday, a week after the crash began in earnest on Wall Street. Continued declines of between 5 and 10 per cent underlined the markets' extreme volatility and the extent to which investor confidence has been damaged.

The spur for yesterday's worldwide losses was the 33 per cent drop in Hong Kong's Hang Seng index when the markets re-opened following a four-day closure. The drop came amid a financial crisis necessitating a HK$2bn ($256m) lifeboat for the stock index futures market.

Although the full ramifications of Hong Kong's problems have yet to be seen - the survival of the futures market, for example, must remain in doubt - it seems unlikely that it would have triggered such a chain reaction in markets around the world in normal times.

The Key Market Monitors have been dropped from today's edition to accommodate expanded coverage of market movements around the world. Market indices, lists of the most active stocks and London's chief price changes can all be found on Page 47.

These are not normal times, however. Such is the psychology of fear in the markets that Tokyo, London and European markets all fell in sympathy and Wall Street later extended its losses.

Psychological reasons may be good ones: the crisis affecting Hong Kong's stock and futures trading is an uncomfortable warning of difficulties which could still be encountered elsewhere as a result of the steep drop in the markets.

Huge losses have been suffered, particularly in leveraged instruments such as futures, options and warrants. Some people will not be able to meet their obligations. The fear is obviously that, as in Hong Kong, that would create a systemic problem. So far, however, there is no sign of such problems outside Hong Kong.

The continued declines suggest that many investors will take advantage of any market rallies to sell stocks. But attempts by Wall Street and other markets to rally keep failing. This is despite the general belief that economic fundamentals in many countries remain strong.

Towards the end of the day the mood was improving, at least in London. This was after moves by international underwriters of the £7.2bn ($11.8bn) British Petroleum share issue to have the sale, for which applications close tomorrow, called off by the UK government at this late stage. As much as £2.8bn of the issue is due to be placed outside the UK, making it the largest internationally-distributed offering yet.

The underwriters stand to keep most of the stock on their books. Speculation that the issue may be withdrawn, however, contributed to weakness in the gilt-edged market because it could increase the public borrowing requirement.

London rout by small investors

LONDON

THE ALARM bells sounded again in the London securities markets yesterday, bringing out selling orders from the private investors who had remained loyal to the equity market last week, *writes Terry Byland in London.*

With the big investment institutions still demoralised by the savagery of the fall of the past week, the equity sector plunged heavily, closing at levels not seen since January.

By the end of a punishing session, the FT-SE 100 was another 111.1 down at 1,684.1, bringing a loss of 26.8 per cent since the market slide began a week ago.

As shares in British Petroleum continued to tumble below the price at which the £7.2bn ($12bn) sale of new shares was underwritten, the UK Treasury confirmed it was talking to the institutional underwriters. BP shares closed at 266p, down 21p, implying significant losses all round for the institutions which underwrote the shares at 330p.

The UK market was at the mercy of the renewed global setback prompted by the heavy losses in Hong Kong and Tokyo and then reflected in further falls in early Wall Street trading. The setback in Hong Kong was substantially greater than London had bargained for and, with Tokyo already down by 5 per cent, UK trading opened sharply lower.

"Investment fundamentals are out of the window for the time being," an analyst at a major US trading house said of the London market.

Pension fund managers are still revising their valuation of the equity market and re-assessing estimates for UK corporate profits for 1988 and the following year. "But they are finding it very difficult," said one market specialist.

Mr Bill Martin, economic analyst at Phillips & Drew, London securities arm of Union Bank of Switzerland, expects UK interest rates to fall sharply. "Falls of 2 to 3 percentage points are possible," he said.

The UK investment community is still waiting for action on the US deficit. Last week's press conference by President Reagan has failed to satisfy the London markets.

"Until President Reagan does something to cut the deficit, it's no go. And it can't just be words," said one exasperated trader.

Equities tried to rally while waiting for Wall Street to open but were frustrated by worries over domestic market factors. Recurrent rumours that the BP issue might be withdrawn prompted attempts at a market rally which soon melted away when no official statement was forthcoming.

Tokyo follows Hong Kong's tumble

TOKYO

THE TOKYO stock market suffered its third-largest fall yesterday, as the reverberations of last week's crisis in world equity markets continued to shake investors' confidence, *writes Stefan Wagstyl in Tokyo.*

Uncertainty about the outlook was fuelled by the fall in the value of the US dollar over the weekend and by the chaotic re-opening of the Hong Kong stock market after a week-long break. But the chief concern remained the future course of the New York stock market.

After rising modestly in the opening hour, the Nikkei average fell sharply and at one stage dropped 1,678.70 points to 21,620.08 - below the 21,910.08 reached last Tuesday when the market recorded its steepest ever fall. The index has lost 15.8 per cent since last Monday.

Later, hesitant buying by Japanese investment trusts - long-term, equity-oriented funds - pushed prices higher and the index finished at 22,202.56, down 1,096.22 on the day. Trading was relatively light at 650m shares.

As was the case last week, foreign investors were the biggest sellers. Some Japanese institutions also sold stock, but most stayed on the sidelines.

Mr Kazuaki Harada, director and chief economist of Sanwa Bank, said: "Until Friday I was optimistic, but after this fall in the dollar I am a pessimist." Mr Harada said he was concerned that the fall in the dollar meant the "the chaotic situation in the market might continue."

Large-capitals opened firm, but fell later under increased selling pressure, *adds Shigeo Nishiwaki of Jiji Press.*

Nippon Steel, the most active stock with 63.57m shares traded, started Y3 up at Y433, but closed Y15 lower at Y415 after registering a Y30 plunge to Y400.

Mitsubishi Heavy Industries sank by Y70 to Y580 at one stage during the day, but closed off its low at Y598, down Y52. It was the second busiest issue at 45.60m shares changing hands. Kawasaki Steel was off Y13 at Y320 and Nippon Kokan dropped Y27 to Y313.

Tokyo Electric Power recovered from a Y210 fall to end unchanged at Y6,110. Nippon Telegraph and Telephone (NTT) closed at Y2.76M, down Y50,000, after losing Y110,000 earlier in the session.

High-technology stocks, particularly electricals, also lost ground. Hitachi fell Y70 to Y1,080, NEC dropped Y130 to Y1,760, Matsushita Electric Industrial declined Y90 to Y1,900 and Sony slumped Y240 to Y3,970.

Most financials were well down. Nomura Securities fell Y320 to Y3,450, Tokio Marine and Fire Insurance dropped Y70 to Y1,80 and Mitsubishi Bank declined Y130 to Y2,670.

Bond prices continued their advance. A call for global monetary relaxation by US Treasury Secretary James Baker encouraged dealers to buy and Government bond futures continued to gain. Dealers were active in cash market purchases, swimming against the crosscurrents of buying and selling by institutional investors.

The bellwether 5.1 per cent Government bond, due in June 1996, recovered its face value of Y100 at one stage with a jump of Y1.66. But later the brakes were applied because of the fast price rise and its yield finished at 5.240 per cent, compared with Saturday's 5.280 per cent.

On the Osaka Securities Exchange, prices slumped due to selling by non-residents. The OSE stock average dropped 1,172.84 from Saturday to 22,641.93 on an estimated volume of only 41.91M shares, down 49.04m from Friday.

BANGKOK: Doom and gloom on international markets sent Thai stocks lower as investor nervousness escalated. The Securities Exchange of Thailand index tumbled 31.31 to 368.18, its second steepest single-day fa.. after last Tuesday's record drop of 30.64.

The rout has halted a 16-month rally on the Thai bourse and the market has lost an aggregate 104.68, or 22.14 per cent, over the past week.

SEOUL: The composite index shrugged off the despondency of international markets and climbed to a record of 517.15, up 1.00 from Saturday. The market built on its firm opening and was buoyed by strong gains in financial shares. Advances outnumbered declines by 299 to 143 on turnover worth won 103.7bn against won 70.4bn on Saturday.

KUALA LUMPUR: After Friday's brief respite, share prices resumed their downward spiral in moderate trade. Selling accelerated throughout the session and prices fell across the board with industrials hardest hit.

A trader escapes briefly from uncertain futures

HONG KONG

SHARE PRICES on Hong Kong's stock market slumped yesterday, driving the Hang Seng index down 1,120, or 33 per cent, to 2,241 from the last close a week ago, *writes David Dodwell in Hong Kong.*

As almost HK$200bn ($25.6bn) was sliced off the market's total capitalisation, officials and investors were still in hot dispute over whether the four-day suspension of trading had saved exchange members from still greater trauma or built up so much trading pressure that the resumption had magnified losses.

The fall in the Hang Seng index took it 41 per cent below the closing level on Friday October 16.

Property stocks were worst hit, with many showing losses over the day of more than 50 per cent. Among the blue chips, the Swire group was a prominent casualty, with a closing price of HK$14.20, a fall 47 per cent lower than the HK$26.70 close of October 16.

Among the blue chips recording losses of over 35 per cent from that Friday were Cheung Kong, which closed at HK$8, Hongkong Land, closing at HK$7.30, Wharf Holdings at HK$6.15, Hutchison Whampoa at HK$8.15, Hongkong Telephone at HK$10.30 and Cathay Pacific at HK$5.25.

Market turnover amounted to HK$4.47bn, but it was impossible to gauge whether this reflected heavy trading interest because of the settlement during the day of transactions completed in the grey market while the official market was closed last week.

Rumours abounded suggesting that mainland Chinese companies were active in the market buying shares in companies in which they had interests.

In addition, Mr Li Kashing won approval from the Government to buy shares in his Cheung Kong group companies, taking his stakes above the 35 per cent trigger point at which he would normally have to make a full bid.

There were, however, no pockets of buoyancy in the market. Price falls were steady over the course of the day. Asked for his forecast of the market's performance over the coming days, Mr Ronald Li, the exchange's chairman, said frankly: "It will fluctuate wildly."

AUSTRALIA

A LARGE sell-off of scrip in Hong Kong, coupled with a free fall in Tokyo sent the All Ordinaries down 100.7 to 1,413.0, as nervous investors dumped stocks.

Blue chips were the first to suffer with merchants, insurers and paper and packaging stocks in their wake.

Bell Group plummeted A$1.40 to A$4.30 and Bell Resources lost 65 cents to A$2.15 in reaction to Merrill Lynch's decision to withdraw Bell Resources' $1.1bn convertible bond issue.

Demand for gold-related scrip was mixed with a weaker bias, despite a firmer gold price.

However, Metana jumped 70 cents to A$9.50 and Gold Mines of Kalgoorlie shed 20 cents to A$6.20, but Sons of Gwalia fell 80 cents to A$9.20. Among other heavyweight resources Nuigini Mining plunged A$1.50 to A$7.0, CRA lost 30 cents to A$5.20 and Bougainville was down 20 cents to A$3.0.

SINGAPORE

AGGRESSIVE selling sent share prices broadly lower although losses were not as steep as early last week. The Straits Times index dropped 54.97 to 906.60 after falls in Hong Kong and Tokyo unnervedthe market.

Friday's recovery did little to clear the grey clouds and some blue chips posted double-digit losses.

Singapore Airlines lost 45 cents to S$9.00, DBS shed 45 cents to S$5.00, Cerebos was down 50 cents at S$6.00 and Metro declined S$1.45 to S$8.00.

Europe plunges as dollar's fall compounds woes

EUROPE's bourses took a severe bruising from the combined blows of Hong Kong's record fall and the dollar's sharp retreat, with some marking near-record falls.

FRANKFURT plunged to a two-year low in thin, jumpy trade. Blue chips were hammered by the dollar's renewed weakness. The mid-session Commerzbank index fell 97.50, or 5.8 per cent, to 1,569.2.

A 4 pfg fall in the dollar carved up export-dependent car stocks. BMW fell most steeply, losing DM84 to DM498, or 14 per cent, followed by Daimler, down DM90.50 to DM847.50.

VW fell DM23 to DM306: West German Finance Minister Mr Gerhardt Stoltenberg said the Government still indended selling its 16 per cent stake in the car maker, but gave no date for the offer.

Banks fared little better, Deutsche losing DM26.50 to DM525.50, Dresdner DM16 to DM281 and Commerzbank DM12 to Dm240 - all lows for the year. Bayerhypo dived DM43 to DM365.

BASF lost DM15.70 to DM276.30 in chemicals, where Bayer shed DM20.30 to DM285 and Hoechst DM20.50 to DM252.

Retailers suffered similarly, Massa giving up DM35 to DM345 and Asko DM70 to DM585. Metals dived.

BRUSSELS gave less ground than its neighbours, but falls still averaged 3 per cent across the board. The cash index was down 198.52 at 4,317.93.

Reserve dropped BFr255 to BFr2,730, a year's low, as Societe Generale de Belgique said shareholders had subscribed for less than half of the 2.56m shares offered in a 1-for-10 rights issue. Generale de Banque, chief underwriter to the issue, fell BFr370 to BFr5,010. Other holdings fell in line.

Electrafina was BFr490 cheaper at BFr6,010 and metal group Asturienne BFr84 off at BFr1,016.

PARIS ignored better employment figures for September and a rosy assessment of French trade prospects from Trade Minister Michel Noir to fall 7 per cent.

Electronics issues to led fallers as Thomson-CSF sank FFr114 to FFr797 and Radiotechnique FFr190 to FFr1,180. TRT was FFr200 down at FFr1,080.

Construction issues were also hit, leaving Auxiliaire d'Entreprises FFr150 cheaper at FFr830, Screg FFr115 down at FFr570 and Lafarge Coppee off FFr115 at FFr1,235.

Mr Gerhardt Stoltenberg: VW sale to go ahead

Air Liquide was suspended at FFr523, a fall of FFr82, after an order imbalance.

ZURICH saw buying collapse and shares shed some 10 per cent of their value. The all-share index closed 100.2 down at 862.4.

Banks were routed. Swiss Bank fell SFr45 to SFr380, while Union Bank shed SFr150 to SFr2,625. Insurers Winterthur and Zurich were SFr675 and SFr600 down at SFr5,175 and SFr5,450 in turn.

Chemical Ciba-Geigy was SFr350 cheaper at SFr2,975 and Sandoz participation certificates down to SFr1,640, a fall of SFr220.

AMSTERDAM fell steeply, but cut losses with a late rally heartened by an early Wall Street comeback. The all-share index ended 7.0 down at 71.8.

Akzo closed down Fl 11 at Fl 125 and Unilever was Fl 9.60 off at Fl 101.70, as internationals took a pasting. Royal Dutch fell Fl 14 to Fl 209, Philips was off Fl 3 at Fl 38.20 and KLM gave up Fl 2.70 to Fl 36.60.

MILAN struck a low for the year as the MIB index closed at 771, down 4.93 per cent on Friday's close. Prices continued to retreat in after-hours trade.

Montedison fell L65 to L1,835. Iniziative Meta, Montedison's financial services holding company, nosedived L1,020, and retailer Standa LL1,500 to L10,600, a 12 per cent drop.

STOCKHOLM saw share values sliced back in moderate trade. The Affarsvaerlden general index slid 5.9 per cent to 810.3, its lowest since July this year.

MADRID saw a near-record fall as the market lost 5.4 per cent of its value. The general index closed down 14.25 at 255.30.

OSLO skidded sharply lower, with the all-share index's 18.29 fall to 325.16.

SHORTENED TRADING at the end of last week left an overhang of sell orders, causing another session of frantic selling and a further over-load on the Johannesburg Stock Exchange computer.

Shares slumped a further 6 per cent, an aggregate loss of 24 per cent in a week, and even the higher gold price could not lift dejected spirits or gold stocks.

The sharp falls of the morning were blunted by the close due to late and limited institutional buying.

Leading gold Vaal Reefs fell R15 to R373, Randfontein was unchanged at R350 but Freegold dropped 50 cents to R47.50.

Mining houses followed the gold boards down with Anglo American off R4.50 at R71.50 and Gencor R5 lower at R59.

Diamond share De Beers added to its recent heavy losses, tumbling R4.25 to R36.50. The share is 37 per cent below its R57.50 close last Monday.

Industrial stocks were also knocked. Barlow Rand shed 75 cents to R20.25, Sasol ended R1 lower at R9.50 and South African Breweries dropped R1 to R19.

Kuwait unruffled by international shares minefield

BY TONY WALKER IN KUWAIT

SINCE world stock markets began their dramatic downward slide, Western embassies in Kuwait have been fielding inquiries from anxious local investors with funds abroad.

"They call up and ask what we're going to do about it," said a Western official, who was telling callers there were limits on the action his Government could take to prop up the market. He observed that some Kuwaitis appeared to have a naive view about the ability of Western governments to protect investors.

Although Kuwaitis with funds abroad have plenty to worry about, domestic investors have been cushioned from the international fall-out. Kuwait, accustomed to war and political crises on its doorstep, kept its head while those further afield were losing theirs. At the end of last week, the stock index was only 2.8 per cent lower despite the international turmoil.

The fact that the Government holds more than 50 per cent of shares in locally listed companies, and that another substantial portion is lodged in banks as collateral would partly explain the steadier stance.

The market has also been reined in by government pressure on Kuwaiti companies to exercise their right to purchase up to 10 per cent of their shares as a means of propping up the market.

The relative stability of the market is also attributable to the fact that Kuwait had its big shake-out in 1982. As a Kuwaiti financial consultant said: "We had our crash - five years before the rest of the world."

When the Souk al Manakh unofficial stock market nosedived, it dealt the system a crushing blow from which it has not yet recovered. Some $90bn was wiped off the value of shares in local companies in a few hectic days.

The Government has since been engaged in a rescue programme aimed at protecting banks from collapse under a mountain of bad debts.

The so-called "settlement programme", which is reported to be costing the Government up to $8bn, is expected to be in place by the end of the year. Broadly, it provides relief to banks while they seek to retrieve funds from creditors who speculated heavily in the Souk al Manakh market.

Kuwaitis who invested in world stock markets are now being forced to come to terms with the fact that losses in the international marketplace will not be underwritten in the same way. Financial analysts here expect the global crisis will persuade local investors to bring their funds home and say this may give a short-term boost to the local share market.

There have been signs of a capital inflow, in spite of the tense Gulf situation. The Kuwaiti dinar has remained steady despite Iranian missile attacks on the oil loading terminal and on shipping in Kuwait harbour.

Kuwaiti investors who have repatriated money are said to be keeping funds on deposit in banks or looking for opportunities at the top end of the property market, which has remained surprisingly firm.